



# Finance Act 1998

## 1998 CHAPTER 36

### PART I

#### EXCISE DUTIES

##### *Alcoholic liquor duties*

#### **1 Rate of duty on beer.**

- (1) In section 36(1) of the <sup>M1</sup>Alcoholic Liquor Duties Act 1979 (rate of duty on beer), for “£11.14” there shall be substituted “ £11.50 ”.
- (2) This section shall come into force on 1st January 1999.

#### **Marginal Citations**

**M1** 1979 c. 4.

#### **2 Adjustment of rates of duty on sparkling liquors.**

- (1) The <sup>M2</sup>Alcoholic Liquor Duties Act 1979 shall be amended as follows.
- (2) In Part I of the Table of rates of duty in Schedule 1, in column 2 of the fourth entry (rate of duty per hectolitre on sparkling wine or made-wine of a strength exceeding 5.5 per cent. but less than 8.5 per cent.), for “201.50” there shall be substituted “ 161.20 ”.
- (3) In section 62(1A)(a) (rate of duty per hectolitre on sparkling cider of a strength exceeding 5.5 per cent.), for “£37.54” there shall be substituted “ £45.05 ”.
- (4) This section shall be deemed to have come into force at 6 o’clock in the evening of 17th March 1998.

*Status: Point in time view as at 01/11/2008.*

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**Marginal Citations**

**M2** 1979 c. 4.

**3 Rates of duty on wine and made-wine.**

- (1) For Part I of the Table of rates of duty in Schedule 1 to the <sup>M3</sup>Alcoholic Liquor Duties Act 1979 (wine and made-wine of a strength not exceeding 22 per cent.) there shall be substituted—

**“PART I**

WINE OR MADE-WINE OF A STRENGTH NOT EXCEEDING 22 PER CENT.

<i>Description of wine or made-wine</i>	<i>Rates of duty per hectolitre</i>
	£
Wine or made-wine of a strength not exceeding 4 per cent.	46.01
Wine or made-wine of a strength exceeding 4 per cent. but not exceeding 5.5 per cent.	63.26
Wine or made-wine of a strength exceeding 5.5 per cent. but not exceeding 15 per cent. and not being sparkling	149.28
Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent. but less than 8.5 per cent.	161.20
Sparkling wine or sparkling made-wine of a strength of 8.5 per cent. or of a strength exceeding 8.5 per cent. but not exceeding 15 per cent.	213.27
Wine or made-wine of a strength exceeding 15 per cent. but not exceeding 22 per cent.	199.03

(2) This section shall come into force on 1st January 1999.”

**Marginal Citations**

**M3** 1979 c. 4.

**4 Rates of duty on cider.**

- (1) In section 62(1A) of the <sup>M4</sup>Alcoholic Liquor Duties Act 1979 (rates of duty on cider), for paragraphs (b) and (c) there shall be substituted the following paragraphs—

“(b) £37.92 per hectolitre in the case of cider of a strength exceeding 7.5 per cent. which is not sparkling cider; and

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(c) £25.27 per hectolitre in any other case.”

(2) This section shall come into force on 1st January 1999.

**Marginal Citations**

**M4** 1979 c. 4.

**5 Drawback of excise duty on beer.**

(1) Section 42 of the <sup>M5</sup>Alcoholic Liquor Duties Act 1979 (drawback on exportation, shipment as stores etc.) shall cease to have effect.

(2) Subsection (1) above shall come into force on such day as the Commissioners of Customs and Excise may by order made by statutory instrument appoint.

**Commencement Information**

**II** S. 5 partly in force at 31.7.1998 see s. 5(2).

**Marginal Citations**

**M5** 1979 c. 4.

*Hydrocarbon oil duties*

**6 Charge on production without delivery.**

(1) In section 6 of the <sup>M6</sup>Hydrocarbon Oil Duties Act 1979 (excise duty on imported hydrocarbon oil and on oil produced and delivered for home use), in subsection (1)—

<sup>F1</sup>(a) .....

(b) the words from “and delivered” to “above” shall be omitted.

(2) For subsection (2) of that section there shall be substituted the following subsections—

“(2) Where—

- (a) imported hydrocarbon oil is removed to relevant premises,
- (b) the oil undergoes a production process at those premises or any other relevant premises, and
- (c) any duty charged on the importation of the oil has not become payable at any time before the production time,

the duty charged on importation shall not become payable at any time after the production time.

(2AA) In subsection (2) above—

“the production time” means the time at which the oil undergoes the production process; and

“relevant premises” means—

- (a) a refinery;
- (b) other premises used for the production of hydrocarbon oil; or

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(c) premises of such other description as may be specified in regulations made by the Commissioners.

(2AB) For the purposes of subsection (2) above, oil undergoes a production process if—

- (a) hydrocarbon oil of another description is obtained from it, or
- (b) it is subjected to any process of purification or blending.”

(3) The preceding provisions of this section shall come into force on such day as the Commissioners of Customs and Excise may by order made by statutory instrument appoint.

#### Textual Amendments

**F1** S. 6(1)(a) omitted (1.11.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 6 paras. 8\(c\), 21](#)

#### Marginal Citations

**M6** [1979 c. 5](#).

## 7 Rates of duties and rebates.

(1) In section 6(1A) of the <sup>M7</sup>Hydrocarbon Oil Duties Act 1979 (rates of duty on hydrocarbon oil)—

- (a) in paragraph (a) (light oil), for “£0.4510” there shall be substituted “ £0.4926 ”;
- (b) in paragraph (b) (ultra low sulphur diesel), for “£0.3928” there shall be substituted “ £0.4299 ”; and
- (c) in paragraph (c) (heavy oil that is not ultra low sulphur diesel), for “£0.4028” there shall be substituted “ £0.4499 ”.

(2) In section 11(1) of that Act (rebate on heavy oil)—

- (a) in paragraph (a) (fuel oil), for “£0.0200” there shall be substituted “ £0.0218 ”; and
- (b) in each of paragraphs (b) and (ba) (gas oil which is not ultra low sulphur diesel and ultra low sulphur diesel), for “£0.0258” there shall be substituted “ £0.0282 ”.

(3) In section 13A(1A) of that Act (rebate on unleaded petrol)—

- (a) in paragraph (a) (higher octane unleaded petrol), for “£0.0150” there shall be substituted “ £0.0050 ”; and
- (b) in paragraph (b) (other unleaded petrol), for “£0.0482” there shall be substituted “ £0.0527 ”.

(4) In section 14(1) of that Act (rebate on light oil for use as furnace fuel), for “£0.0200” there shall be substituted “ £0.0218 ”.

(5) This section shall be deemed to have come into force at 6 o’clock in the evening of 17th March 1998.

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### Marginal Citations

M7 1979 c. 5.

## 8 Ultra low sulphur diesel.

(1) In section 1 of the <sup>M8</sup>Hydrocarbon Oil Duties Act 1979, for subsection (6) (meaning of “ultra low sulphur diesel”) there shall be substituted the following subsection—

“(6) “Ultra low sulphur diesel” means gas oil—

- (a) the sulphur content of which does not exceed 0.005 per cent. by weight or is nil;
- (b) the density of which does not exceed 835 kilograms per cubic metre at a temperature of 15° C; and
- (c) of which not less than 95 per cent. by volume distils at a temperature not exceeding 345° C.”

(2) This section shall be deemed to have come into force at 6 o’clock in the evening of 17th March 1998.

### Marginal Citations

M8 1979 c. 5.

## 9 Mixtures of heavy oils.

(1) In section 20AAA of the <sup>M9</sup>Hydrocarbon Oil Duties Act 1979 (charge to duty on mixtures of oils), after subsection (2) there shall be inserted the following subsection—

“(2A) Where—

- (a) a mixture of heavy oils is produced in contravention of Part IIA of Schedule 2A to this Act, and
  - (b) the mixture is not produced as a result of approved mixing,
- a duty of excise shall be charged on the mixture.”

[<sup>F2</sup>(2) In subsection (3) of that section, after “subsection (1)” there shall be inserted “ or (2A) ”.]

<sup>F2</sup>(3) In section 20AAB of that Act (supplementary provisions about mixing of oils), in subsection (1), after “section 20AAA(1)” there shall be inserted “ or (2A) ”.]

(4) In Schedule 2A to that Act (mixtures of oils to which duty applies), after paragraph 7 there shall be inserted the following—

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## “PART IIA

### UNREBATED HEAVY OIL

7A A mixture of heavy oils is produced in contravention of this paragraph if such a mixture is produced by mixing—

- (a) ultra low sulphur diesel 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; and
- (b) heavy oil of any other description in respect of which, on its delivery for home use, such a declaration was made.”

(5) In paragraph 9 of that Schedule (rate of duty for mixtures of heavy oil), after sub-paragraph (1) there shall be inserted the following sub-paragraph—

“(1A) Subject to paragraph 10 below, duty charged under subsection (2A) of section 20AAA of this Act shall be charged at the rate for heavy oil in force at the time when the mixture is produced.”

(6) This section shall be deemed to have come into force at 6 o’clock in the evening of 17th March 1998.

#### Textual Amendments

**F2** S. 9(2)(3) repealed (24.7.2002) by 2002 c. 23, s. 141, Sch. 40 Pt. 1(2). Note 2 to Sch. 40 Pt. 1(2) provides that “The repeals in the Finance Act 1988 have effect in accordance with section 5(8)(b) of this Act.”

#### Marginal Citations

**M9** 1979 c. 5.

### *Tobacco products duty*

#### 10 Rates of tobacco products duty.

(1) For the Table of rates of duty in Schedule 1 to the <sup>M10</sup>Tobacco Products Duty Act 1979 there shall be substituted—

#### “ TABLE

1. Cigarettes	An amount equal to 22 per cent. of the retail price plus £77.09 per thousand cigarettes.
2. Cigars	£114.79 per kilogram.
3. Hand-rolling tobacco	£87.74 per kilogram.
4. Other smoking tobacco and chewing tobacco	£50.47 per kilogram.”

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(2) This section shall come into force on 1st December 1998.

**Marginal Citations**

M10 1979 c. 7.

*Gaming duty*

**11 Rates of gaming duty.**

(1) For the Table in section 11(2) of the <sup>M11</sup>Finance Act 1997 (rates of gaming duty) there shall be substituted the following table—

“TABLE

<i>Part of gross gaming yield</i>	<i>Rate</i>
The first £450,000	2½ per cent.
The next £1,000,000	12½ per cent.
The next £1,000,000	20 per cent.
The next £1,750,000	30 per cent.
The remainder	40 per cent.”

(2) In section 11(3) of that Act (rate of duty for unregistered gaming), for “ 131/3per cent.” there shall be substituted “ 40 per cent. ”

(3) This section has effect in relation to accounting periods beginning on or after 1st April 1998.

**Marginal Citations**

M11 1997 c. 16.

*Amusement machine licence duty*

**12 Rates of amusement machine licence duty.**

(1) In section 23 of the <sup>M12</sup>Betting and Gaming Duties Act 1981 (rates of amusement machine licence duty), for the Table in subsection (2) there shall be substituted the following Table—

“ TABLE

<i>(1)</i> <i>Period (in months)</i> <i>for which licence</i> <i>granted</i>	<i>(2)</i> <i>Machines that</i> <i>are not gaming</i> <i>machines</i>	<i>(3)</i> <i>Gaming machines</i> <i>that are small-</i> <i>prize machines</i>	<i>(4)</i> <i>Other machines</i>
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		<b>or are five-penny machines without being small-prize machines</b>	
	£	£	£
1	30	80	220
2	50	150	425
3	75	220	615
4	95	285	800
5	120	345	970
6	140	400	1,125
7	160	450	1,270
8	185	500	1,405
9	205	540	1,525
10	225	580	1,635
11	240	615	1,730
12	250	645	1,815”

- (2) This section shall apply in relation to any amusement machine licence for which an application is received by the Commissioners of Customs and Excise after 17th March 1998.

#### Marginal Citations

M12 1981 c. 63.

### 13 Further exception for thirty-five-penny machines.

- (1) In section 21(3A) of the <sup>M13</sup>Betting and Gaming Duties Act 1981 (excepted machines), for paragraphs (b) and (c) there shall be substituted the following paragraphs—

- “(b) a five-penny machine which is a small prize machine; or  
(c) a thirty-five-penny machine which is not a prize machine or which, if it is a prize machine, is not a gaming machine.”

- (2) This section has effect in relation to the provision of an amusement machine at any time on or after 1st April 1998.

#### Marginal Citations

M13 1981 c. 63.



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## 14 Video machines.

- (1) In section 21(3A) of the<sup>M14</sup>Betting and Gaming Duties Act 1981 (excepted machines), after paragraph (c) there shall be inserted “; or  
(d) an excepted video machine.”
- (2) After subsection (3A) of that section there shall be inserted the following subsections—
  - “(3B) For the purposes of this section an amusement machine is an excepted video machine if—
    - (a) it is a video machine which is not a prize machine;
    - (b) it is a machine on which a game can be played solo;
    - (c) the price for a solo game on the machine does not exceed 35p; and
    - (d) the price to participate in a game on the machine for two or more players does not exceed 50p.
  - (3C) For the purposes of this section the price for a solo game on a machine does not exceed 35p if the denomination or aggregate denomination of the coin or coins that must be inserted into the machine to play the game solo does not or, where the machine provides differing numbers of games in different circumstances, cannot exceed 35p for each time the game is played.
  - (3D) For the purposes of this section the price to participate in a game on the machine for two or more players does not exceed 50p if the denomination or aggregate denomination of the coin or coins that must be inserted into the machine to play the game simultaneously with more than one player does not exceed or, where the machine provides differing numbers of games in different circumstances, cannot exceed 50p per player for each time the game is played.
  - (3E) For the purposes of this section a game is played solo if it is played by one person at a time (whether or not against a previous player).”
- (3) Accordingly, in section 25 of that Act—
  - (a) in subsection (4) (no account to be taken of the fact that a machine may be played by more than one person at a time), after “description” there shall be inserted “ other than an excepted video machine falling within section 21(3A)(d) above ”; and
  - (b) in subsection (6) (excepted machine not to be treated as a number of machines), for the words “in the case of any machine” onwards there shall be substituted “ for the purpose of determining whether a machine is an excepted video machine falling within section 21(3A)(d) above, or in the case of a pinball machine or a machine that is an excepted machine ”.
- (4) This section has effect in relation to the provision of an amusement machine at any time on or after the day on which this Act is passed.

### Marginal Citations

M14 1981 c. 63.

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*Air passenger duty*

**15 Fiscal representatives.**

- (1) After section 34 of the <sup>M15</sup>Finance Act 1994 (fiscal representatives) there shall be inserted the following section—

**“34A Administrative representatives.**

- (1) Subject to the following provisions of this section, where—
- (a) the appointment of any person to be the fiscal representative of an aircraft operator contains a statement that the appointment is made for administrative purposes only,
  - (b) the operator has complied with any obligations for the provision of security imposed, in relation to appointments containing such statements, by any general directions given by the Commissioners, and
  - (c) the operator is not for the time being in contravention of any requirement to provide any security that he is required to provide under section 36 below,
- that appointment shall have effect in accordance with subsection (2) below.
- (2) Where the appointment of any person as a fiscal representative has effect in accordance with this subsection section 34(4)(b) and (c) above shall be taken, in the case of that person—
- (a) not to impose any requirement on the representative to secure the payment of amounts of duty which are or may become due from his principal, and
  - (b) not to make him personally liable either to pay any such amounts or in respect of any failure by his principal to pay them.
- (3) The security that may be required by general directions given by the Commissioners for the purposes of this section is any such security for the payment of amounts of duty which are or may become due from the person providing the security as may be determined in accordance with the directions.
- (4) The power of the Commissioners under section 36 below to require the provision of security shall not include any power to require a fiscal representative of an aircraft operator whose appointment has effect in accordance with subsection (2) above to provide any security for the payment of amounts of duty which are or may become due from his principal.
- (5) In this section references to an amount of duty include references to any penalty or interest that is recoverable as if it were an amount of duty, but only in so far as the penalty or interest is in respect of a failure by an aircraft operator to pay an amount of duty, or to pay such an amount before a certain time.”
- (2) In section 34(4) of that Act (effect of appointment of fiscal representative), after “subsection (5)” there shall be inserted “ and section 34A ”.

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**Marginal Citations**

M15 1994 c. 9.

*Vehicle excise duty*

**16 Rates of duty where pollution reduced.**

Schedule 1 to this Act (which makes provision for reduced rates of vehicle excise duty to be applicable to certain vehicles adapted so as to reduce pollution) shall have effect.

**17 Restriction of exemption for old vehicles.**

In paragraph 1A(1) of Schedule 2 to the <sup>M16</sup>Vehicle Excise and Registration Act 1994 (exemption for vehicles more than 25 years old), for the words “more than 25 years before the beginning of the year in which that time falls” there shall be substituted “before 1st January 1973.”

**Marginal Citations**

M16 1994 c. 22.

**18 Regulations relating to nil licences.**

In section 22(2A) of the <sup>M17</sup>Vehicle Excise and Registration Act 1994 (provisions that may be made about nil licences), after paragraph (b) there shall be inserted the following paragraphs—

- “(c) make provision (including provision requiring the payment of a fee) for cases where a nil licence is or may be lost, stolen, destroyed or damaged or contains particulars which have become illegible or inaccurate,
- (d) require a person issued with a nil licence which ceases to be in force in circumstances prescribed by the regulations to furnish to the Secretary of State such particulars and make such declarations as may be so prescribed, and to do so at such times and in such manner as may be so prescribed.”

**Marginal Citations**

M17 1994 c. 22.

**19 Failure to pay amount required in respect of void licence.**

(1) In subsection (1) of section 35A of the <sup>M18</sup>Vehicle Excise and Registration Act 1994 (offence of failing to return void licence)—

- (a) in paragraph (a), for the words from “requires” to “the notice” there shall be substituted “contains a relevant requirement”; and
- (b) in paragraph (b), for “within that period” there shall be substituted “contained in the notice”.

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(2) After subsection (2) of that section there shall be inserted the following subsections—

- “(3) For the purposes of subsection (1)(a), a relevant requirement is—
- (a) a requirement to deliver up the licence within such reasonable period as is specified in the notice; or
  - (b) a requirement to deliver up the licence within such reasonable period as is so specified and, on doing so, to pay the amount specified in subsection (4).
- (4) The amount referred to in subsection (3)(b) is an amount equal to one-twelfth of the appropriate annual rate of vehicle excise duty for each month, or part of a month, in the relevant period.
- (5) The reference in subsection (4) to the appropriate annual rate of vehicle excise duty is a reference to the annual rate which at the beginning of the relevant period—
- (a) in the case of a vehicle licence, was applicable to a vehicle of the description specified in the application, or
  - (b) in the case of a trade licence, was applicable to a vehicle falling within paragraph 1 of Schedule 1 (or to a vehicle falling within subparagraph (1)(c) of paragraph 2 of that Schedule if the licence was to be used only for vehicles to which that paragraph applies).
- (6) For the purposes of subsection (4) the relevant period is the period—
- (a) beginning with the first day of the period for which the licence was applied for or, if later, the day on which the licence first was to have effect, and
  - (b) ending with whichever is the earliest of the times specified in subsection (7).
- (7) In a case where the requirement is a requirement to deliver up a vehicle licence, those times are—
- (a) the end of the month during which the licence was required to be delivered up,
  - (b) the end of the month during which the licence was actually delivered up,
  - (c) the date on which the licence was due to expire, and
  - (d) the end of the month preceding that in which there first had effect a new vehicle licence for the vehicle in question;
- and, in a case where the requirement is a requirement to deliver up a trade licence, those times are the times specified in paragraphs (a) to (c).”

(3) In section 36 of that Act (additional liability to be imposed on persons convicted of offences under section 35A), for subsection (4) of that section there shall be substituted the following subsections—

- “(4) For the purposes of this section the relevant period is the period—
- (a) beginning with the first day of the period for which the licence was applied for or, if later, the day on which the licence first was to have effect, and
  - (b) ending with whichever is the earliest of the times specified in subsection (4A).

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(4A) the case of a vehicle licence those times are—

- (a) the end of the month in which the order is made,
- (b) the date on which the licence was due to expire,
- (c) the end of the month during which the licence was delivered up, and
- (d) the end of the month preceding that in which there first had effect a new licence for the vehicle in question;

and, in the case of a trade licence, those times are the times specified in paragraphs (a) to (c).”

(4) After subsection (5) of that section there shall be inserted the following subsection—

“(6) Where—

- (a) a person has been convicted of an offence under section 35A in relation to a vehicle licence or a trade licence, and
- (b) a requirement to pay an amount with respect to that licence has been imposed on that person by virtue of section 35A(3)(b),

the order to pay an amount under this section shall have effect instead of that requirement and the amount to be paid under the order shall be reduced by any amount actually paid in pursuance of the requirement.”

(5) The preceding provisions of this section apply to notices sent and orders made on or after the day on which this Act is passed.

#### Marginal Citations

M18 1994 c. 22.

### Assessments

#### 20 Assessments for excise duty purposes.

Schedule 2 to this Act (assessments for excise duty purposes) shall have effect.

## PART II

### VALUE ADDED TAX

#### 21 Deemed supplies.

- (1) Paragraph 5 of Schedule 4 to the <sup>M19</sup>Value Added Tax Act 1994 (disposal of business assets) shall be amended as follows.
- (2) In sub-paragraph (2)(a) (exception for gifts of small value), for “is” there shall be substituted “of acquiring or, as the case may be, producing the goods was”.
- (3) After sub-paragraph (2) there shall be inserted the following sub-paragraph—

“(2A) For the purposes of determining the cost to the donor of acquiring or producing goods of which he has made a gift, where—

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- (a) the acquisition by the donor of the goods, or anything comprised in the goods, was by means of a transfer of a business, or a part of a business, as a going concern,
  - (b) the assets transferred by that transfer included those goods or that thing, and
  - (c) the transfer of those assets is one falling by virtue of an order under section 5(3) (or under an enactment re-enacted in section 5(3)) to be treated as neither a supply of goods nor a supply of services,
- the donor and his predecessor or, as the case may be, all of his predecessors shall be treated as if they were the same person.”
- (4) In sub-paragraph (5) (transactions without consideration to be treated as supplies under paragraph 5 only where the supplier is a person entitled to credit for input tax), for “is” there shall be substituted “ or any of his predecessors is a person who (disregarding this paragraph) has or will become ”.
- (5) After that sub-paragraph there shall be inserted the following sub-paragraph—
- “(5A) In relation to any goods or anything comprised in any goods, a person is the predecessor of another for the purposes of this paragraph if—
- (a) that other person is a person to whom he has transferred assets of his business by a transfer of that business, or a part of it, as a going concern;
  - (b) those assets consisted of or included those goods or that thing; and
  - (c) the transfer of the assets is one falling by virtue of an order under section 5(3) (or under an enactment re-enacted in section 5(3)) to be treated as neither a supply of goods nor a supply of services;
- and references in this paragraph to a person’s predecessors include references to the predecessors of his predecessors through any number of transfers.”
- (6) The preceding provisions of this section apply to any case where the time when the goods are transferred or disposed of or, as the case may be, put to use, used or made available for use is on or after 17th March 1998.

#### **Marginal Citations**

M19 1994 c. 23.

## **22 Changes of place of supply: transitional.**

- (1) In the <sup>M20</sup>Value Added Tax Act 1994 the following section shall be inserted after section 97 (orders, rules and regulations)—

### **“97A Place of supply orders: transitional provision.**

- (1) This section shall have effect for the purpose of giving effect to any order made on or after 17th March 1998 under section 7(11), if—
- (a) the order provides for services of a description specified in the order to be treated as supplied in the United Kingdom;
  - (b) the services would not have fallen to be so treated apart from the order;

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- (c) the services are not services that would have fallen to be so treated under any provision re-enacted in the order; and
  - (d) the order is expressed to come into force in relation to services supplied on or after a date specified in the order (“the commencement date”).
- (2) Invoices and other documents provided to any person before the commencement date shall be disregarded in determining the time of the supply of any services which, if their time of supply were on or after the commencement date, would be treated by virtue of the order as supplied in the United Kingdom.
- (3) If there is a payment in respect of any services of the specified description that was received by the supplier before the commencement date, so much (if any) of that payment as relates to times on or after that date shall be treated as if it were a payment received on the commencement date.
- (4) If there is a payment in respect of services of the specified description that is or has been received by the supplier on or after the commencement date, so much (if any) of that payment as relates to times before that date shall be treated as if it were a payment received before that date.
- (5) Subject to subsection (6) below, a payment in respect of any services shall be taken for the purposes of this section to relate to the time of the performance of those services.
- (6) Where a payment is received in respect of any services the performance of which takes place over a period a part of which falls before the commencement date and a part of which does not—
  - (a) an apportionment shall be made, on a just and reasonable basis, of the extent to which the payment is attributable to so much of the performance of those services as took place before that date;
  - (b) the payment shall, to that extent, be taken for the purposes of this section to relate to a time before that date; and
  - (c) the remainder, if any, of the payment shall be taken for those purposes to relate to times on or after that date.”
- (2) In section 6 of the <sup>M21</sup>Value Added Tax Act 1994 (time of supply), after subsection (14) there shall be inserted the following subsection—
  - “(14A) In relation to any services of a description specified in an order under section 7(11), this section and any regulations under this section or section 8(4) shall have effect subject to section 97A.”
- (3) This section shall be deemed to have come into force on 17th March 1998.

**Marginal Citations**

**M20** 1994 c. 23.

**M21** 1994 c. 23.

*Status: Point in time view as at 01/11/2008.*

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## 23 Bad debt relief.

- (1) In subsection (1)(a) of section 36 of the <sup>M22</sup>Value Added Tax Act 1994 (bad debts), the words “for a consideration in money” shall be omitted.
- (2) In subsection (3) of that section—
  - (a) in paragraph (a), for “payment by way” there shall be substituted “ part ”; and
  - (b) in paragraph (b), for “a payment or payments by way” there shall be substituted “ any part ” and for “the payment (or the aggregate of the payments)” there shall be substituted “ that part ”.
- (3) After that subsection there shall be inserted the following subsection—
 

“(3A) For the purposes of this section, where the whole or any part of the consideration for the supply does not consist of money, the amount in money that shall be taken to represent any non-monetary part of the consideration shall be so much of the amount made up of—

  - (a) the value of the supply, and
  - (b) the VAT charged on the supply,

as is attributable to the non-monetary consideration in question.”
- (4) In subsection (5) of that section—
  - (a) in paragraph (c), for “subsequent payments” there shall be substituted “ anything subsequently received ”; and
  - (b) in paragraph (e), for “payment (or further payment) by way” there shall be substituted “ part (or further part) ”.
- (5) In subsection (6) of that section, in paragraphs (b) and (c) for “a payment” there shall in each place be substituted “ anything received ”.
- (6) In subsection (7) of that section, for “part payment” there shall be substituted “ receipt of part of the consideration ”.
- (7) Subsections (1) to (3) above have effect in relation to claims made on or after the day on which this Act is passed.

### Marginal Citations

M22 1994 c. 23.

## 24 Long leases in Scotland.

In section 96(1) of the <sup>M23</sup>Value Added Tax Act 1994, in paragraph (b) of the definition of “major interest” (land in Scotland not held on feudal tenure: lessee’s interest must be for a period exceeding 21 years), for “exceeding 21 years” there shall be substituted “ of not less than 20 years ”.

### Marginal Citations

M23 1994 c. 23.



*Status: Point in time view as at 01/11/2008.*

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## PART III

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

#### CHAPTER I

##### INCOME TAX AND CORPORATION TAX

###### *Income tax charge, rates and reliefs*

#### **F<sup>3</sup>25 Charge and rates for 1998-99.**

.....

##### **Textual Amendments**

**F3** S. 25 repealed (6.4.2007) by *Income Tax Act 2007* (c. 3), s. 1034(1), **Sch. 3 Pt. 1** (with **Sch. 2**)

#### **F<sup>4</sup>26 .....**

##### **Textual Amendments**

**F4** S. 26 repealed (27.7.1999 with effect for the year 2000-01 and subsequent years of assessment) by *1999 c. 16*, s. 139, **Sch. 20 Pt. III(4)**, Note

#### **27 Married couple's allowance etc. in and after 1999-00.**

- (1) The Taxes Act 1988 shall have effect for the year 1999-00 and subsequent years of assessment with the following amendments—
  - (a) in section 256(2)(a) of that Act (rate of reliefs given by way of income tax reduction under Chapter I of Part VII), for “15 per cent.” there shall be substituted “ 10 per cent. ”; and
  - (b) in section 347B(5A)(a) of that Act (rate of relief for qualifying maintenance payments), for “the appropriate percentage” there shall be substituted “ 10 per cent. ”.
- (2) For the purposes only of applying section 257C of the Taxes Act 1988 (indexation) for the year 1999-00, the amounts specified for the year 1998-99 in subsections (2) and (3) of section 257A of that Act (married couple's allowance for persons of 65 or more) shall be taken to have been £4,965 and £5,025, respectively.

###### *Corporation tax charge and rates*

#### **28 Charge and rates for financial year 1998.**

- (1) Corporation tax shall be charged for the financial year 1998 at the rate of 31 per cent.
- (2) For that year—

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- (a) the small companies' rate shall be 21 per cent.; and
- (b) the fraction mentioned in section 13(2) of the Taxes Act 1988 (marginal relief for small companies) shall be one fortieth.

## 29 Charge and rates for financial year 1999.

- (1) Corporation tax shall be charged for the financial year 1999 at the rate of 30 per cent.
- (2) For that year—
  - (a) the small companies' rate shall be 20 per cent.; and
  - (b) the fraction mentioned in section 13(2) of the Taxes Act 1988 (marginal relief for small companies) shall be one fortieth.

*Corporation tax: periodic payments etc*

## 30 Corporation tax: due and payable date.

- (1) After section 59DA of the <sup>M24</sup>Taxes Management Act 1970 there shall be inserted—

### **“59E Further provision as to when corporation tax is due and payable.**

- (1) The Treasury may by regulations make provision, in relation to companies of such descriptions as may be prescribed, for or in connection with treating amounts of corporation tax for an accounting period as becoming due and payable on dates which fall on or before the date on which corporation tax for that period would become due and payable apart from this section.
- (2) Without prejudice to the generality of subsection (1) above, regulations under this section may make provision—
  - (a) for or in connection with the determination of amounts of corporation tax which are treated as becoming due and payable under the regulations;
  - (b) for or in connection with the determination of the dates on which amounts of corporation tax are treated as becoming due and payable under the regulations;
  - (c) for or in connection with the making of payments to the Board in respect of amounts of corporation tax which are treated as becoming due and payable under the regulations;
  - (d) for or in connection with the determination of the amount of any such payments as are mentioned in paragraph (c) above;
  - (e) for or in connection with the determination of the dates on which any such payments as are mentioned in paragraph (c) above become due and payable;
  - (f) for or in connection with any assumptions which are to be made for any purposes of the regulations;
  - (g) for or in connection with the payment to the Board of interest on amounts of corporation tax which are treated as becoming due and payable under the regulations;
  - (h) for or in connection with the repayment of amounts paid under the regulations;

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- (i) for or in connection with the payment of interest by the Board on amounts paid or repaid under the regulations;
  - (j) with respect to the furnishing of information to the Board;
  - (k) with respect to the keeping, production or inspection of any books, documents or other records;
  - (l) for or in connection with the imposition of such requirements as the Treasury think necessary or expedient for any purposes of the regulations;
  - (m) for or in connection with appeals in relation to questions arising under the regulations.
- (3) Regulations under this section may make provision—
- (a) for amounts of corporation tax for an accounting period to be treated as becoming due and payable on dates which fall within the accounting period;
  - (b) for payments in respect of any such amounts of corporation tax for an accounting period as are mentioned in paragraph (a) above to become due and payable on dates which fall within the accounting period.
- (4) Where interest is charged by virtue of regulations under this section on any amounts of corporation tax for an accounting period which are treated as becoming due and payable under the regulations, the company shall, in such circumstances as may be prescribed, be liable to a penalty not exceeding twice the amount of that interest.
- (5) Regulations under this section—
- (a) may make such modifications of any provisions of the Taxes Acts, or
  - (b) may apply such provisions of the Taxes Acts,
- as the Treasury think necessary or expedient for or in connection with giving effect to the provisions of this section.
- (6) Regulations under this section which apply any provisions of the Taxes Acts may apply those provisions either without modifications or with such modifications as the Treasury think necessary or expedient for or in connection with giving effect to the provisions of this section.
- (7) Regulations under this section—
- (a) may make different provision for different purposes, cases or circumstances;
  - (b) may make different provision in relation to companies or accounting periods of different descriptions;
  - (c) may make such supplementary, incidental, consequential or transitional provision as appears to the Treasury to be necessary or expedient.
- (8) Subject to subsection (9) below, regulations under this section may make provision in relation to accounting periods beginning before (as well as accounting periods beginning on or after) the date on which the regulations are made.
- (9) Regulations under this section may not make provision in relation to accounting periods ending before the day appointed under section 199 of the

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<sup>M25</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment).

(10) In this section—

“modifications” includes amendments, additions and omissions;

“prescribed” means prescribed by regulations made under this section.

(11) Any reference in this section to corporation tax includes a reference—

(a) to any amount due from a company under section 419 of the principal Act (loans to participators etc) as if it were an amount of corporation tax chargeable on the company;

(b) to any sum chargeable on a company under section 747(4)(a) of the principal Act (controlled foreign companies) as if it were an amount of corporation tax.”

(2) The Treasury may by regulations make provision for or in connection with the payment to the Board of an amount or amounts determined by or under the regulations in any case where, on or after 25th November 1997 and before 30th June 2002, a company takes any action specified in the regulations which has the effect—

(a) of delaying the application, or

(b) of delaying or avoiding the full effect,

in relation to the company of any regulations made under section 59E of the <sup>M26</sup>Taxes Management Act 1970.

(3) Any amount determined by or under regulations under this section shall be computed as if it were interest on a sum determined by or under the regulations; and any amount so determined shall be treated for the purposes of the Tax Acts as if it were interest due to the Board.

(4) The action which may be specified in regulations under this section includes—

(a) a change by a company in the date or dates on which any of its accounting periods begin or end; or

(b) a transfer by a company of any property, rights or liabilities to a company which belongs to the same group as that company.

(5) In subsection (4) above “group” means a company which has one or more 51 per cent. subsidiaries together with that or those subsidiaries.

(6) Regulations under this section—

(a) may make different provision in relation to different cases or in relation to companies of different descriptions;

(b) may make such supplementary, incidental, consequential or transitional provision as appears to the Treasury to be necessary or expedient.

#### **Marginal Citations**

**M24** 1970 c. 9.

**M25** 1994 c. 9.

**M26** 1970 c. 9.

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### **31 Abolition of advance corporation tax.**

- (1) No company resident in the United Kingdom shall be liable to pay advance corporation tax in respect of any qualifying distribution made on or after 6th April 1999.
- (2) For the purposes of the Tax Acts, no distribution made on or after 6th April 1999 shall be treated as giving rise to the making of a franked payment.
- (3) No franked investment income which is attributable to a distribution made on or after 6th April 1999 shall be used to frank any distributions of a company.
- (4) Section 238(3) of the Taxes Act 1988 shall apply for the purposes of subsection (3) above as it applies for the purposes of Chapter V of Part VI of that Act.
- (5) Schedule 3 to this Act (which makes provision for and in connection with the abolition of advance corporation tax) shall have effect.

### **32 Unrelieved surplus advance corporation tax.**

- (1) The Treasury may by regulations make provision for or in connection with enabling unrelieved surplus advance corporation tax to be set against liability to corporation tax on profits charged to corporation tax for accounting periods ending on or after 6th April 1999 (and thus to discharge a corresponding amount of any such liability).
- (2) Without prejudice to the generality of subsection (1) above, regulations under this section may make provision—
  - (a) for or in connection with imposing a limit or limits on the amount of unrelieved surplus advance corporation tax which may be set against liability to corporation tax on profits charged to corporation tax for an accounting period;
  - (b) for or in connection with the carrying forward of unrelieved surplus advance corporation tax from earlier accounting periods to later accounting periods;
  - (c) for or in connection with the recovery of corporation tax from companies in prescribed circumstances where any such liability as is mentioned in paragraph (a) above is or has been discharged by the set-off of unrelieved surplus advance corporation tax;
  - (d) for or in connection with the reduction or extinguishment of unrelieved surplus advance corporation tax;
  - (e) for or in connection with treating notional amounts of advance corporation tax ("shadow ACT") as paid by companies in respect of distributions made on or after 6th April 1999;
  - (f) for or in connection with the determination of amounts of shadow ACT which are treated as paid by companies in respect of distributions made on or after 6th April 1999;
  - (g) in relation to the treatment of shadow ACT;
  - (h) in relation to the treatment of companies which have prescribed relationships or connections with each other;
  - (i) in relation to the treatment of prescribed events, arrangements or transactions involving companies with unrelieved surplus advance corporation tax.
- (3) The provision which may be made by regulations under this section includes provision—

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- (a) for or in connection with treating shadow ACT as reducing any limit or limits on the amount of unrelieved surplus advance corporation tax which may be set against any such liability as is mentioned in subsection (2)(a) above;
  - (b) for or in connection with the carrying forward of shadow ACT from earlier accounting periods to later accounting periods;
  - (c) for or in connection with the carrying back of shadow ACT from later accounting periods to earlier accounting periods;
  - (d) for or in connection with the transfer of shadow ACT between companies;
  - (e) for or in connection with the reduction or extinguishment of shadow ACT.
- (4) The provision which may be made by virtue of subsection (2)(c) above includes provision for or in connection with the recovery of corporation tax from a company which has a prescribed relationship or connection with a company whose liability to corporation tax is or has been discharged by the set-off of unrelieved surplus advance corporation tax.
- (5) The provision which may be made by regulations under this section includes provision for or in connection with enabling unrelieved surplus advance corporation tax to be set against liability to a sum chargeable under section 747(4)(a) of the Taxes Act 1988 (controlled foreign companies) as if it were an amount of corporation tax for an accounting period.
- (6) In this section “unrelieved surplus advance corporation tax” means the advance corporation tax (if any) which, apart from sub-paragraph (3) of [<sup>F5</sup>paragraph 12] of Schedule 3 to this Act but otherwise in accordance with that paragraph, would be treated by virtue of section 239(4) of the Taxes Act 1988 as paid in respect of distributions made by a company in the first accounting period of the company to begin on or after 6th April 1999.
- (7) The reference in subsection (6) above to an accounting period beginning on or after 6th April 1999 includes a reference to a separate accounting period mentioned in section 245(2) of the Taxes Act 1988 which begins on 6th April 1999.
- (8) Regulations under this section—
- (a) may make such modifications of any provisions of the Tax Acts, or
  - (b) may apply such provisions of the Tax Acts,
- as the Treasury think necessary or expedient for or in connection with giving effect to the provisions of this section.
- (9) Regulations under this section which apply any provisions of the Tax Acts may apply those provisions either without modifications or with such modifications as the Treasury think necessary or expedient for or in connection with giving effect to the provisions of this section.
- (10) Regulations under this section—
- (a) may make different provision for different purposes, cases or circumstances;
  - (b) may make different provision in relation to companies or accounting periods of different descriptions;
  - (c) may make such supplementary, incidental, consequential or transitional provision as appears to the Treasury to be necessary or expedient.
- (11) Regulations under this section may make provision in relation to accounting periods beginning before (as well as accounting periods beginning on or after) the date on which the regulations are made.

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(12) In this section—

“modifications” includes amendments, additions and omissions;

“prescribed” means prescribed by regulations made under this section.

#### Textual Amendments

**F5** Words in s. 32(6) substituted (*retrospective to 31.7.1998*) by 1999 c. 16, s. 91(4)(6)

### 33 Relief for interest payable under the Tax Acts.

(1) Section 90 of the <sup>M27</sup>Taxes Management Act 1970 (interest on overdue tax to be paid without deduction of income tax and not to be allowed as a deduction in computing income, profits or losses) shall be amended as follows.

(2) At the beginning there shall be inserted “(1)” and in the subsection (1) so formed—

(a) after “Interest payable under this Part of this Act” there shall be inserted “ (a) ”; and

(b) after “and” there shall be inserted “ (b) ”.

(3) At the beginning of the paragraph (b) formed by subsection (2)(b) above (disallowance of relief for interest) there shall be inserted “subject to subsection (2) below,”.

(4) At the end of the section there shall be added—

“(2) Paragraph (b) of subsection (1) above does not apply in relation to interest under section 87 or 87A of this Act payable by a company within the charge to corporation tax.”

(5) The amendments made by subsections (3) and (4) above have effect in relation to—

(a) interest on corporation tax for accounting periods ending on or after the day appointed under section 199 of the <sup>M28</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment); and

(b) interest on tax assessable in accordance with Schedule 13 or 16 to the Taxes Act 1988 for return periods in accounting periods ending on or after that day.

#### Marginal Citations

**M27** 1970 c. 9.

**M28** 1994 c. 9.

### 34 Charge to tax on interest payable under the Tax Acts.

(1) Section 826 of the Taxes Act 1988 (interest on tax overpaid) shall be amended as follows.

(2) In subsection (5) (interest on overpaid tax to be paid without deduction of income tax and not to be brought into account in computing profits or income)—

(a) after “Interest paid under this section” there shall be inserted “ (a) ”; and

(b) after “and” there shall be inserted “ (b) ”.

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- (3) At the beginning of the paragraph (b) formed by subsection (2)(b) above (interest not to be brought into account in computing profits or income) there shall be inserted “subject to subsection (5A) below.”
- (4) After subsection (5) there shall be inserted—
  - “(5A) Paragraph (b) of subsection (5) above does not apply in relation to interest payable to a company within the charge to corporation tax.”
- (5) The amendments made by subsections (3) and (4) above have effect in relation to interest payable by virtue of any paragraph of section 826(1) of the <sup>M29</sup>Taxes Act 1988 if the accounting period mentioned in that paragraph is one which ends 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 (corporation tax self-assessment).

**Marginal Citations**

M29 1994 c. 9.

**35 Further provision about interest payable under the Tax Acts.**

Schedule 4 to this Act (which makes further amendments relating to interest payable under the Tax Acts by or to companies) shall have effect.

**36 Arrangements with respect to payment of corporation tax.**

- (1) The Board may enter into arrangements with some or all of the members of a group of companies for one of those members to discharge any liability of each of those members to pay corporation tax for the accounting periods to which the arrangements relate.
- (2) Any such arrangements—
  - (a) may make provision in relation to cases where companies become or cease to be members of a group of companies;
  - (b) may make provision in relation to the discharge of liability to pay interest or penalties;
  - (c) may make provision in relation to the discharge of liability to pay any amount treated as corporation tax;
  - (d) may make provision for or in connection with the termination of the arrangements;
  - (e) may make such supplementary, incidental, consequential or transitional provision as is necessary or expedient for the purposes of the arrangements.
- (3) Any such arrangements—
  - (a) shall not affect the liability to corporation tax, or to pay corporation tax, of any company to which the arrangements relate; and
  - (b) shall not affect any other liability of any such company under the Tax Acts.
- (4) For the purposes of this section a company and all its 51 per cent. subsidiaries form a group of companies and, if any of those subsidiaries have 51 per cent. subsidiaries, the group of companies includes them and their 51 per cent. subsidiaries, and so on.



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- (5) The reference in subsection (2)(c) above to any amount treated as corporation tax is a reference—
- (a) to any amount due from a company under section 419 of the Taxes Act 1988 (loans to participators etc) as if it were an amount of corporation tax chargeable on the company;
  - (b) to any sum chargeable on a company under section 747(4)(a) of the Taxes Act 1988 (controlled foreign companies) as if it were an amount of corporation tax.

### *Gilt-edged securities*

## **37 Abolition of periodic accounting.**

- (1) Section 51B of the Taxes Act 1988 (which enables provision to be made requiring tax on interest on gilt-edged securities to be accounted for periodically) shall cease to have effect.

<sup>F6</sup>(2) .....

- (3) The preceding provisions of this section have effect in relation only to payments of interest falling due on or after such day as the Treasury may by order appoint.

#### **Subordinate Legislation Made**

**P1** S. 37(3) power exercised (9.3.1999): 1.4.1999 appointed by [S.I. 1999/619, art. 2](#)

#### **Textual Amendments**

**F6** S. 37(2) repealed (11.5.2001 with effect as mentioned in [s. 87](#) of the amending Act) by [2001 c. 9, ss. 87, 110, Sch. 33 Pt. II\(12\)](#) Note

### *Rents and other receipts from land*

## **38 Taxation of rents and other receipts from land.**

- (1) The provisions of Schedule 5 to this Act have effect with respect to tax on rents and other receipts from land.

Part I contains amendments relating to the charge to tax under Schedule A or Case V of Schedule D on rents and other receipts from land.

Part II contains amendments about relief for losses incurred in a Schedule A business or overseas property business, and the relationship between such relief and other reliefs.

Part III contains minor and consequential amendments.

- (2) So far as relating to income tax, the provisions of Parts I to III of that Schedule have effect for the year 1998-99 and subsequent years of assessment.
- (3) So far as relating to corporation tax, the provisions of Parts I to III of that Schedule come into force on 1st April 1998, subject to the transitional provisions in Part IV of the Schedule.

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### **39 Land managed as one estate and maintenance funds for historic buildings.**

Sections 26 and 27 of the Taxes Act 1988 (deductions from rent: land managed as one estate and maintenance funds for historic buildings) shall cease to have effect—

- (a) for income tax purposes, on and after 6th April 2001;
- (b) for corporation tax purposes, for accounting periods beginning on or after 1st April 2001.

### **40 Treatment of premiums as rent.**

- (1) Section 34 of the Taxes Act 1988 (treatment of premiums, etc. as rent) is amended as follows.
- (2) In subsection (1) for “becoming entitled when the lease is granted to” substitute “receiving when the lease is granted”.
- (3) In subsection (4)—
  - (a) in paragraph (a), for the words from “in computing” to “in lieu of rent” substitute “in computing the profits of the Schedule A business of which the sum payable in lieu of rent is by virtue of this subsection to be treated as a receipt”; and
  - (b) in paragraph (b), for “deemed to become due” substitute “deemed to be received”.
- (4) In subsection (5)—
  - (a) in paragraph (a), for “tax chargeable by virtue of this subsection” substitute “the profits of the Schedule A business of which that sum is by virtue of this subsection to be treated as a receipt”; and
  - (b) in paragraph (b), for “deemed to become due” substitute “deemed to be received”.
- (5) The above amendments have effect in relation to amounts treated as received under section 34 of the Taxes Act 1988 on or after 17th March 1998.

### **41 Tied premises: receipts and expenses treated as those of trade.**

- (1) For section 98 of the Taxes Act 1988 (tied premises) substitute—

#### **“98 Tied premises: receipts and expenses treated as those of trade.**

- (1) This section applies where a person (“the trader”)—
  - (a) carries on a trade,
  - (b) in the course of the trade supplies, or is concerned in the supply of, goods sold or used on premises occupied by another person,
  - (c) has an estate or interest in those premises, and
  - (d) deals with that estate or interest as property employed for the purposes of the trade.
- (2) Where this section applies the receipts and expenses in connection with the premises that would otherwise fall to be brought into account in computing the profits of a Schedule A business carried on by the trader shall instead be brought into account in computing the profits of the trade.

*Status: Point in time view as at 01/11/2008.*

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- (3) Any necessary apportionment shall be made on a just and reasonable basis of receipts or expenses—
- (a) which do not relate only to the premises concerned, or
  - (b) where the conditions in subsection (1) are met only in relation to part of the premises.
- (4) This section applies to premises outside the United Kingdom as if the premises were in the United Kingdom.”
- (2) In section 156 of the <sup>M30</sup>Taxation of Chargeable Gains Act 1992 (replacement of business assets: buildings and land), for subsection (4) substitute—
- “(4) Where section 98 of the Taxes Act applies (tied premises: receipts and expenses treated as those of trade), the trader shall be treated, to the extent that the conditions in subsection (1) of that section are met in relation to premises, as occupying as well as using the premises for the purposes of the trade.”
- (3) The above amendments have effect on and after 17th March 1998, subject to the following transitional provisions.
- In those provisions—
- “before commencement” and “after commencement” mean, respectively, before 17th March 1998 and on or after that date; and
- “the new section 98” means the section as substituted by subsection (1) above.
- (4) To the extent that receipts or expenses have been taken into account before commencement, they shall not be taken into account again under the new section 98 after commencement.
- (5) To the extent that receipts or expenses would under the new section 98 have been brought into account before commencement, and were not so brought into account, they shall be brought into account immediately after commencement.
- (6) If any estate, interest or rights in or over land is or are transferred from one person to another, the references in subsections (4) and (5) above to receipts or expenses being taken into account shall be construed as references to their being taken into account in relation to either of those persons.
- (7) For the purposes of those subsections an amount is “taken into account” if—
- (a) it is brought into account for tax purposes, or
  - (b) it would have been so brought into account if the person concerned were chargeable to tax.

**Marginal Citations**

M30 1992 c. 12.

*Status: Point in time view as at 01/11/2008.*

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### *Computation of profits of trade, profession or vocation*

#### **42 Computation of profits of trade, profession or vocation.**

(1) For the purposes of Case I or II of Schedule D the profits of a trade, profession or vocation must be computed [<sup>F7</sup>in accordance with generally accepted accounting practice], subject to any adjustment required or authorised by law in computing profits for those purposes.

(2) This does not—

- (a) require a person to comply with the requirements of [<sup>F8</sup>the Companies Act 2006 or subordinate legislation made under that Act] except as to the basis of computation, or
- (b) impose any requirements as to audit or disclosure.

(3) This section applies to periods of account beginning after 6th April 1999.

A period of account beginning on or before 6th April 1999 which is still current on 7th April 2000 shall be treated for the purposes of this section as having ended on 6th April 1999 and a new period as having begun on 7th April 1999.

<sup>F9</sup>(4) .....

(5) This section does not affect provisions of the [<sup>F10</sup>Corporation Tax Acts] relating to the computation of the profits of Lloyd’s underwriters or [<sup>F11</sup>insurance companies (within the meaning of Chapter 1 of Part 12 of the Taxes Act 1988) in relation to their life assurance business], or otherwise laying down special rules for the computation of the profits of a particular description of business.

#### **Textual Amendments**

- F7** Words in s. 42(1) substituted (24.7.2002) by 2002 c. 23, s. 103(5)
- F8** Words in s. 42(2)(a) substituted (6.4.2008) by The Companies Act 2006 (Consequential Amendments) (Taxes and National Insurance) Order 2008 (S.I. 2008/954), arts. 1(1), 24 (with art. 4)
- F9** S. 42(4) repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 500(a), Sch. 3 (with Sch. 2)
- F10** Words in s. 42(5) substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 500(b) (with Sch. 2)
- F11** Words in s. 42(5) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by The Insurance Companies (Corporation Tax Acts) (Miscellaneous Amendments) Order 2006 (S.I. 2006/3270), arts. 1(1), 10

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

- C1** S. 42 excluded (24.7.2002 with application as mentioned in s. 65(1)(3)(4) of the amending Act) by 2002 c. 23, s. 65(2)(b)

#### <sup>F12</sup>**43 Barristers and advocates in early years of practice.**

.....

*Status: Point in time view as at 01/11/2008.*

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**Textual Amendments**

**F12** S. 43 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 501, Sch. 3](#) (with Sch. 2)

**F13** **44** .....

**Textual Amendments**

**F13** S. 44 repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(8) Note 2 and Sch. 22 paras. 16, 17 of the amending Act) by [2002 c. 23, s. 141, Sch. 40 Pt. 3\(8\)](#) Note 2

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

**C2** S. 44 excluded (24.7.2002) by [2002 c. 23, s. 64\(6\)](#)

**F14** **45** .....

**Textual Amendments**

**F14** S. 45 repealed (24.7.2002) by [2002 c. 23, s. 141, Sch. 40 Pt. 3\(16\)](#)

**46 Minor and consequential provisions about computations.**

(1) In provisions of the [<sup>F15</sup>Corporation Tax Acts] relating to the computation of the profits of a trade, profession or vocation references to receipts and expenses are (except where otherwise expressly provided) to any items brought into account as credits or debits in computing such profits.

There is no implication that an amount has been actually received or expended.

(2) Except where otherwise expressly provided, the same rules apply in computing losses of a trade, profession or vocation for [<sup>F16</sup>corporation tax purposes] as apply in computing profits.

(3) In the provisions of the Tax Acts which refer to the subject of the charge under Case I or II of Schedule D as “profits or gains” or “profits and gains” of a trade, profession or vocation—

(a) for “profits or gains” or “profits and gains”, wherever occurring, substitute “profits”, and

(b) for “arising or accruing”, in reference to such profits or gains, substitute “arising”.

The provisions affected are listed in Schedule 7 to this Act.

**Textual Amendments**

**F15** Words in s. 46(1) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 502\(2\)](#) (with Sch. 2)

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**F16** Words in s. 46(2) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 502\(3\)](#) (with Sch. 2)

### *Gifts to charities*

**F17** 47 .....

#### **Textual Amendments**

**F17** S. 47 repealed (27.7.1999 with effect in relation to gifts made on or after 27.7.1999) by [1999 c. 16, ss. 55\(2\)\(3\), 139, Sch. 20 Pt. III\(12\)](#), Note

#### **48 Gifts of money for relief in poor countries.**

(1) This section applies to any gift of a sum of money by an individual to a charity that has given the required notification to the Board if that gift is made—

- (a) in the period beginning with [<sup>F18</sup>31st July 1998] and ending with 31st December 2000; and
- (b) in circumstances giving rise to a reasonable expectation that the sum given will be applied for, or in connection with, [<sup>F19</sup>one or more] of the purposes specified in subsection (2) below.

(2) Those purposes are—

- (a) the relief of poverty in any one or more [<sup>F20</sup>countries or territories designated for the purposes of this paragraph,], [<sup>F21</sup> . . .
- (b) the advancement of education in any one or more [<sup>F20</sup>countries or territories designated for the purposes of this paragraph,][<sup>F22</sup>, and.
- (c) the relief of poverty in the case of persons from any country or territory designated for the purposes of this paragraph who are refugees or who have suffered displacement as a result of organised intimidation or oppression or of war or other armed conflict.]

<sup>F23</sup>(3) .....

(4) Where—

- (a) a relevant gift of less than £100 is made [<sup>F24</sup>before 6th April 2000]by an individual to a charity that has given the required notification to the Board,
- (b) the aggregate of that gift and any one or more subsequent relevant gifts made by that individual to that charity is £100 or more,
- [<sup>F25</sup>(bb) the subsequent gift, or at least one of the subsequent gifts, is made on or after 6th April 2000;]
- (c) that individual gives an [<sup>F26</sup>appropriate declaration]in relation to that aggregate to that charity, and
- (d) the condition specified in paragraph (e) of subsection (2) of section 25 of the <sup>M31</sup>Finance Act 1990 (limit on benefit for the donor) would be satisfied if the aggregated gifts constituted a single gift by that individual to that charity made at the time of the making of the last of them to be made,

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the aggregated gifts shall be treated for the purposes of that section [F27 (but subject to subsection (4A) below)] as if they together constituted a single qualifying donation made by that individual to that charity at that time.

[F28(4A) Subsection (10) of section 25 of the M32 Finance Act 1990 (receipts of gifts by a charity to be treated as payments of grossed-up amounts after deduction of basic rate income tax) shall have effect where—

(a) any aggregated gifts are treated under this section as a single qualifying donation made to a charity, and

(b) the aggregated gifts include gifts made in different years of assessment, as if that single qualifying donation had been received by the charity in the year of assessment in which the first of the aggregated gifts was made and as if that were the relevant year of assessment for the purposes of that subsection.]

(5) The gifts aggregated for the purposes of subsection (4) above must not include either—

(a) a relevant gift of £250 or more; or

(b) more than one relevant gift of £100 or more.

F23(6) .....

F23(7) .....

(8) In this section—

F29

[F30“relevant gift” means a gift to which this section applies—

(a) which satisfies the requirements of subsection (2) of section 25 of the M33 Finance Act 1990 (as amended by section 39 of the Finance Act 2000); or

(b) which would satisfy those requirements if paragraph (e) of that subsection were disregarded.]

“required notification”, in relation to a charity, means a notification (including one given before the passing of this Act) which—

(i) is in such form, and contains such information, as may have been required by the Board, and

(ii) contains a statement to the effect that the charity proposes to accept gifts to which this section applies.

(9) A country or territory is a designated country or territory for the purposes of [F31 paragraph (a), (b) or (c) of subsection (2) above] if—

(a) it is designated as such by an order made for those purposes by the Treasury; or

(b) it is of a description specified in an order so made;

and a description specified in such an order may be expressed by reference to the opinion of any person so specified or by reference to the contents from time to time of a document prepared by a person so specified.

(10) Expressions used in this section and in section 25 of the M34 Finance Act 1990 have the same meanings in this section as in that section.

#### Textual Amendments

**F18** Words in s. 48(1)(a) substituted (27.7.1999 with effect in relation to gifts made on or after 6.4.1999) by 1999 c. 16, s. 56(2)(a)(7)

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- F19** Words in s. 48(1)(b) substituted (27.7.1999 with effect in relation to gifts made on or after 6.4.1999) by 1999 c. 16, s. 56(2)(b)(7)
- F20** Words in s. 48(2)(a)(b) substituted (27.7.1999 with effect in relation to gifts made on or after 6.4.1999) by 1999 c. 16, s. 56(3)(a)(7)
- F21** Word in s. 48(2)(a) repealed (27.7.1999 with effect in relation to gifts made on or after 6.4.1999) by 1999 c. 16, s. 139, **Sch. 20 Pt. III(13)**, Note
- F22** S. 48(2)(c) and word “and” immediately preceding it inserted (27.7.1999 with effect in relation to gifts made on or after 6.4.1999) by 1999 c. 16, s. 56(3)(b)(7)(8)
- F23** S. 48(3)(6)(7) repealed (28.7.2000) by 2000 c. 17, s. 42(1), 156, **Sch. 40 Pt. II(1)**
- F24** Words in s. 48(4)(a) inserted (28.7.2000) by 2000 c. 17, s. 42(2)(a)
- F25** S. 48(4)(bb) inserted (28.7.2000) by 2000 c. 17, s. 42(2)(b)
- F26** Words in s. 48(4)(c) substituted (28.7.2000) by 2000 c. 17, s. 42(2)(c)
- F27** Words in s. 48(4) inserted (*retrospective* to 31.7.1998) by 1999 c. 16, s. 57(1)(2)
- F28** S. 48(4A) inserted (*retrospective* to 31.7.1998) by 1999 c. 16, s. 57(1)(3)
- F29** Definition of “the first designation date” in s. 48(8) repealed (27.7.1999 with effect in relation to gifts made on or after 6.4.1999) by 1999 c. 16, s. 139, **Sch. 20 Pt. III(13)**, Note
- F30** S. 48(8): definition of “relevant gift” substituted (28.7.2000) by 2000 c. 17, s. 42(3)
- F31** Words in s. 48(9) substituted (27.7.1999 with effect in relation to gifts made on or after 6.4.1999) by 1999 c. 16, s. 56(4)(7)

**Marginal Citations**

- M31** 1990 c. 29.
- M32** 1990 c.29.
- M33** 1990 c. 29.
- M34** 1990 c. 29.

*Employee share incentives*

**F32 49 Employee share options.**

.....

**Textual Amendments**

- F32** Ss. 49-53 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)

**F32 50 Conditional acquisition of shares.**

.....

**Textual Amendments**

- F32** Ss. 49-53 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)

**F32 51 Convertible shares provided to directors and employees.**

.....



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**Textual Amendments**

**F32** Ss. 49-53 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)

**F32 52 Information powers.**

.....

**Textual Amendments**

**F32** Ss. 49-53 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)

**F32 53 Provision supplemental to sections 50 to 52.**

.....

**Textual Amendments**

**F32** Ss. 49-53 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)

**54 Amendments consequential on sections 50 to 53.**

- (1) The <sup>M35</sup>Taxation of Chargeable Gains Act 1992 shall be amended as follows.
- (2) After subsection (5) of section 120 (increase of expenditure by reference to tax charged in relation to shares) there shall be inserted the following subsections—
  - “(5A) Where an amount is chargeable to tax under section 140A of the Taxes Act in respect of—
    - (a) the acquisition or disposal of any interest in shares, or
    - (b) any interest in shares ceasing to be only conditional,the relevant amount is a sum equal to the amount so chargeable.
  - (5B) Where an amount is chargeable to tax under section 140D of the Taxes Act in respect of the conversion of shares, the relevant amount is a sum equal to the amount so chargeable.”
- (3) In subsection (7) of that section—
  - (a) after “(5),” there shall be inserted “, (5A), (5B) ”; and
  - (b) after “138” there shall be inserted “, 140A, 140D ”.
- (4) After that subsection there shall be inserted the following subsection—
  - “(8) For the purposes of subsection (5A) above this section shall have effect as if references in this section to shares included anything referred to as shares in section 140A of the Taxes Act.”
- (5) After section 149A there shall be inserted the following section—

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**“149B Employee incentive schemes: conditional interests in shares.**

- (1) Where—
- (a) an individual has acquired an interest in any shares or securities which is only conditional,
  - (b) that interest is one which for the purposes of section 140A of the Taxes Act is taken to have been acquired by him as a director or employee of a company, and
  - (c) by virtue of section 17(1)(b) the acquisition of that interest would, apart from this section, be an acquisition for a consideration equal to the market value of the interest,
- section 17 shall not apply for calculating the consideration.
- (2) Instead, the consideration for the acquisition shall be taken (subject to section 120) to be equal to the actual amount or value of the consideration given for that interest as computed in accordance with section 140B of the Taxes Act.
- (3) This section shall apply in relation only to the individual making the acquisition and, accordingly, shall be disregarded in calculating the consideration received by the person from whom the interest is acquired.
- (4) Expressions used in this section and in section 140A of the Taxes Act have the same meanings in this section as in that section.”
- (6) This section has effect in relation to disposals on or after 17th March 1998 of interests and shares acquired on or after that date.

**Marginal Citations**

M35 1992 c. 12.

*Construction industry workers*

**55 Construction workers supplied by agencies.**

<sup>F33</sup>(1) .....

<sup>F34</sup>(2) .....

- (3) Subsections (1) and (2) above have effect in relation to—
- (a) any payments made on or after 6th April 1998 other than any made in respect of services rendered before that date; and
  - (b) any payments made before 6th April 1998 in respect of services to be rendered on or after that date.

**Textual Amendments**

**F33** S. 55(1) 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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**F34** S. 55(2) repealed (with effect in accordance with s. 77 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(7\)](#)

## 56 Transitional provisions in connection with section 55.

- (1) Subject to subsection (6) below, subsection (2) below applies if—
  - (a) a construction trade is being carried on by a person (“the sub-contractor”) at the end of the year 1997-98; and
  - (b) there are receipts of that trade which, but for section 134(5)(c) of the Taxes Act 1988, would have fallen to be treated for the year 1997-98 as the emoluments of an office or employment.
- (2) Where this subsection applies, then, subject to subsections (4) and (5) below—
  - (a) the trade shall be deemed to have been permanently discontinued at the end of the year 1997-98; and
  - (b) to the extent (if any) that the trade includes activities in addition to the rendering of services falling by virtue of section 55 to be treated as the duties of an office or employment, a new trade shall be deemed to have been set up and commenced on 6th April 1998.
- (3) Subsection (4) below applies if—
  - (a) a construction trade (“the old trade”) is deemed by virtue of subsection (2)(a) above to have been permanently discontinued; and
  - (b) a construction trade (“the new trade”)—
    - (i) is deemed by virtue of subsection (2)(b) above to have been set up and commenced; or
    - (ii) (where sub-paragraph (i) above does not apply) is actually set up and commenced in the year 1998-99.
- (4) Where this subsection applies then, notwithstanding the deemed discontinuance, the old trade and the new trade shall be treated as the same for the purposes of <sup>F35</sup>[section 83 of the Income Tax Act 2007] (carry-forward of losses against subsequent profits).
- (5) An officer of the Board shall not become entitled by virtue of anything in this section to give a direction under paragraph 3(2) of Schedule 20 to the <sup>M36</sup>Finance Act 1994 (power to revise assessment so that made on the actual basis) in the case of a person whose trade is deemed under subsection (2) above to cease on 5th April 1998.
- (6) Subsection (2) above does not apply if the sub-contractor by notice to an officer of the Board otherwise elects.
- (7) An election under subsection (6) above—
  - (a) if it relates to a trade carried on by an individual, must be included in a return under section 8 of the <sup>M37</sup>Taxes Management Act 1970 which is made and delivered in that individual’s case on or before the day on which it is required to be made and delivered under that section; and
  - (b) if it relates to a trade carried on by persons in partnership, must be included in a return under section 12AA of that Act which is made and delivered in the partners’ case, or in the case of any one or more of them, on or before the day specified in relation to that return under subsection (2) or (3) of that section.

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- (8) In this section “construction trade” means a trade consisting in or including the rendering of services under contracts relating to construction operations (within the meaning of <sup>F36</sup>section 74 of the Finance Act 2004).
- (9) Where at any time on or after 17th March 1998 and before the day on which this Act is passed any election corresponding to an election under subsection (6) above has been made under a resolution of the House of Commons having effect in accordance with the provisions of the <sup>M38</sup>Provisional Collection of Taxes Act 1968, this section has effect, on and after the day on which this Act is passed, as if that election were an election under subsection (6) above.

#### Textual Amendments

- F35** Words in s. 56(4) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 381](#) (with [Sch. 2](#))
- F36** Words in s. 56(8) substituted (with effect in accordance with s. 77 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 12 para. 15\(2\)](#)

#### Marginal Citations

- M36** 1994 c. 9.
- M37** 1970 c. 9.
- M38** 1968 c. 2.

#### <sup>F37</sup>**57 Sub-contractors in the construction industry.**

.....

#### Textual Amendments

- F37** [S. 57](#) repealed (with effect in accordance with s. 77 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(7\)](#)

*Payments and other benefits in connection with termination of employment etc.*

#### <sup>F38</sup>**58 Payments and other benefits in connection with termination of employment, etc.**

.....

#### Textual Amendments

- F38** [S. 58](#) 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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*Benefits in kind*

**59 Car fuel.**

(1) In section 158 of the Taxes Act 1988 (car fuel) for the Tables in subsection (2) (tables of cash equivalents) there shall be substituted—

“ TABLE A

<i>Cylinder capacity of car in cubic centimetres</i>	<i>Cash equivalent</i>
1,400 or less	£1,010
More than 1,400 but not more than 2,000	£1,280
More than 2,000	£1,890

TABLE AB

<i>Cylinder capacity of car in cubic centimetres</i>	<i>Cash equivalent</i>
2,000 or less	£1,280
More than 2,000	£1,890

TABLE B

<i>Description of car</i>	<i>Cash equivalent</i>
Any car	£1,890”

(2) This section shall have effect for the year 1998-99 and subsequent years of assessment.

<sup>F39</sup>**60 Reductions for road fuel gas cars.**

.....

**Textual Amendments**

**F39** S. 60 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](#))

<sup>F40</sup>**61 Travelling expenses.**

.....

**Textual Amendments**

**F40** S. 61 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](#))

*Status: Point in time view as at 01/11/2008.*

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*Profit-related pay*

**62 Provision preventing manipulation of profit periods.**

Schedule 11 to this Act (which makes provision to prevent the manipulation of profit periods in relation to the phasing out of relief for profit-related pay) shall have effect.

*Foreign earnings deduction*

**<sup>F41</sup>63 Withdrawal except in relation to seafarers.**

.....

**Textual Amendments**  
**F41** Ss. 63-69 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)

*PAYE: non-cash benefits etc.*

**<sup>F41</sup>64 Transitory provision relating to tradeable assets.**

.....

**Textual Amendments**  
**F41** Ss. 63-69 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)

**<sup>F41</sup>65 Payment in the form of a readily convertible asset.**

.....

**Textual Amendments**  
**F41** Ss. 63-69 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)

**<sup>F41</sup>66 Enhancing the value of an asset.**

.....

**Textual Amendments**  
**F41** Ss. 63-69 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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**F41 67 Gains from share options etc.**

.....

**Textual Amendments**

**F41** Ss. 63-69 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](#))

**F41 68 Vouchers and credit-tokens.**

.....

**Textual Amendments**

**F41** Ss. 63-69 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](#))

**F41 69 Intermediaries, non-UK employers, agencies etc.**

.....

**Textual Amendments**

**F41** Ss. 63-69 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](#))

*The enterprise investment scheme and venture capital trusts*

**70 Qualifying trades for EIS and VCTs.**

**F42**(1) .....

**F42**(2) .....

**F43**(3) .....

**F44**(4) .....

**Textual Amendments**

**F42** S. 70(1)(2) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034, Sch. 3 Pt. 2](#) (with [Sch. 2](#))

**F43** S. 70(3) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F44** S. 70(4) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034, Sch. 3 Pt. 2](#) (with [Sch. 2](#))

**F45 71 Pre-arranged exits from EIS.**

.....

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**Textual Amendments**

**F45** S. 71 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034, **Sch. 3 Pt. 2** (with [Sch. 2](#))

**<sup>F46</sup>72 Qualifying holdings for VCTs after 2nd July 1997.**

.....

**Textual Amendments**

**F46** S. 72 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

**<sup>F47</sup>73 Other changes to requirements for VCTs.**

.....

**Textual Amendments**

**F47** S. 73 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

**74 Other changes to EIS etc.**

- (1) Schedule 13 to this Act, which amends the provisions mentioned in subsection (2) below, shall have effect.
- (2) The provisions are—
  - <sup>F48</sup>(a) .....
  - (b) sections 150A and 150B of the <sup>M39</sup>Taxation of Chargeable Gains Act 1992 (EIS relief in respect of chargeable gains);
  - (c) Schedule 5B to that Act (EIS deferral of chargeable gains); and
  - (d) that Chapter as it has effect in relation to shares issued before 1st January 1994 (BES income tax relief) and section 150 of that Act (BES relief in respect of chargeable gains).
- (3) Unless the contrary intention appears, the amendments made by that Schedule have effect in relation to shares issued on or after 6th April 1998.

**Textual Amendments**

**F48** S. 74(2)(a) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 2** (with [Sch. 2](#))

**Marginal Citations**

**M39** 1992 c. 12.



*Status: Point in time view as at 01/11/2008.*

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*Individual savings accounts etc.*

**F<sup>49</sup>75 Use of PEPs powers to provide for accounts.**

.....

**Textual Amendments**

**F49** S. 75 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

**76 Tax credits for accounts and for PEPs.**

**F<sup>50</sup>(1)** .....

**F<sup>50</sup>(2)** .....

- (3) The Treasury may by regulations make provision for individuals who—
- (a) are not resident in the United Kingdom, but
  - (b) have made investments under plans for which provision is made by regulations under [<sup>F51</sup>Chapter 3 of Part 6 of the [Income Tax \(Trading and Other Income\) Act 2005](#)],

to be treated in relation to any such investments as if they were so resident for the purposes of any enactment conferring an entitlement to, or to the payment of, tax credits.

**F<sup>52</sup>(4)** .....

**F<sup>52</sup>(5)** .....

**Textual Amendments**

**F50** S. 76(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](#))

**F51** Words in s. 76(3) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 503](#) (with [Sch. 2](#))

**F52** S. 76(4)(5) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

**F<sup>53</sup>77 The insurance element etc.**

.....

**Textual Amendments**

**F53** S. 77 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)

**F<sup>54</sup>78 Phasing out of TESSAs.**

.....

*Status: Point in time view as at 01/11/2008.*

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**Textual Amendments**

**F54** S. 78 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 3** (with [Sch. 2](#))

*Relief for interest and losses etc.*

**79 Relief for loan to acquire interest in a close company.**

<sup>F55</sup>(1) .....

(2) This section has effect in relation to shares acquired on or after 6th April 1998.

**Textual Amendments**

**F55** S. 79(1) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

**80 Relief for losses on unlisted shares in trading companies.**

(1) At the beginning of subsection (1) of section 576 of the Taxes Act 1988 (provisions supplementary to sections 573 to 575) there shall be inserted the words “ Subject to subsections (1A) and (1B) below, ”.

<sup>F56</sup>(2) .....

<sup>F56</sup>(3) .....

<sup>F56</sup>(4) .....

(5) In this section—

(a) subsections (1) and (2) have effect in relation to disposals made on or after 6th April 1998; and

<sup>F57</sup>(b) .....

**Textual Amendments**

**F56** S. 80(2)-(4) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

**F57** S. 80(5)(b) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

<sup>F58</sup>**81** .....

**Textual Amendments**

**F58** S. 81 repealed (*retrospectively*) by [2000 c. 17](#), ss. 100(5), 156, **Sch. 40 Pt. II(11)**

**82 Carry forward of non-trading deficit on loan relationships.**

<sup>F59</sup>(1) .....

*Status: Point in time view as at 01/11/2008.*

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- (2) Section 797 (limits on credit: corporation tax) and section 797A (foreign tax on interest brought into account as a non-trading credit) of the Taxes Act 1988 are amended as follows—
- (a) in section 797(3B)(b), omit “or in accordance with subsection (3) of that section”;
  - (b) in section 797A(5), at the end of paragraph (a) insert the word “ and ” and omit paragraph (c) and the word “and” preceding it;
  - <sup>F60</sup>(c) .....
  - (d) in section 797A(6), for “specified in subsection (5)(c) above” substitute “ carried forward to the applicable accounting period in pursuance of a claim under section 83(2)(d) of that Act ”;
  - <sup>F60</sup>(e) .....
- (3) The following amendments of Schedule 28A to the Taxes Act 1988 (change in ownership of investment company: deductions) are consequential on the amendment in subsection (1) above—
- (a) in paragraph 6(da), after “period” insert “ (other than one within sub-paragraph (dc) below) ”;
  - (b) in paragraph 6(db), omit “(dc) or”;
  - (c) in paragraph 6(dc), for “debit given for that accounting period by” substitute “ deficit carried forward to that accounting period under ”;
  - (d) in paragraph 7(1)(b), for “debit” substitute “ deficit ”;
  - (e) in paragraph 11(2), omit paragraph (a);
  - (f) in paragraph 13(1)(ea), after “period” insert “ (other than one within paragraph (ec) below) ”;
  - (g) in paragraph 13(1)(eb), omit “(ec) or”;
  - (h) in paragraph 13(1)(ec), for “debit given for that accounting period by” substitute “ deficit carried forward to that accounting period under ”;
  - (i) in paragraph 16(1)(b), for “debit” substitute “ deficit ”.
- (4) The amendments made by this section shall be deemed always to have had effect.

**Textual Amendments**

- F59** S. 82(1) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(12) Note of the amending Act) by 2002 c. 23, s. 141, **Sch. 40 Pt. 3(12)** Note
- F60** S. 82(2)(c)(e) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(12) Note of the amending Act) by 2002 c. 23, s. 141, **Sch. 40 Pt. 3(12)** Note

*Capital allowances*

<sup>F61</sup>**83 First-year allowances for investment in Northern Ireland.**

.....

*Status: Point in time view as at 01/11/2008.*

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**Textual Amendments**

**F61** Ss. 83-85 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, **Sch. 4**

**F62 84 First-year allowances for small businesses etc.**

.....

**Textual Amendments**

**F62** Ss. 83-85 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, **Sch. 4**

**F63 85 First-year allowances: consequential amendments etc.**

.....

**Textual Amendments**

**F63** Ss. 83-85 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, **Sch. 4**

*Insurance, insurance companies and friendly societies*

**86 Life policies etc.**

Schedule 14 to this Act (which makes provision in relation to the taxation of life policies etc under Chapter II of Part XIII of the Taxes Act 1988) shall have effect.

**87 Non-resident insurance companies: tax representatives.**

After section 552 of the Taxes Act 1988 (duty of insurers to provide certain information) there shall be inserted—

**“552A Tax representatives.**

- (1) This section has effect for the purpose of securing that, where it applies to an overseas insurer, another person is the overseas insurer’s tax representative.
- (2) In this section “overseas insurer” means a person who is not resident in the United Kingdom who carries on a business which consists of or includes the effecting and carrying out of—
  - (a) policies of life insurance;
  - (b) contracts for life annuities; or
  - (c) capital redemption policies.
- (3) This section applies to an overseas insurer—

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- (a) if the condition in subsection (4) below is satisfied on the designated day; or
  - (b) where that condition is not satisfied on that day, if it has subsequently become satisfied.
- (4) The condition mentioned in subsection (3) above is that—
- (a) there are in force relevant insurances the obligations under which are obligations of the overseas insurer in question or of an overseas insurer connected with him; and
  - (b) the total amount or value of the gross premiums paid under those relevant insurances is £1 million or more.
- (5) In this section “relevant insurance” means any policy of life insurance, contract for a life annuity or capital redemption policy in relation to which this Chapter has effect and in the case of which—
- (a) the holder is resident in the United Kingdom;
  - (b) the obligations of the insurer are obligations of a person not resident in the United Kingdom; and
  - (c) those obligations are not attributable to a branch or agency of that person’s in the United Kingdom.
- (6) Before the expiration of the period of three months following the day on which this section first applies to an overseas insurer, the overseas insurer must nominate to the Board a person to be his tax representative.
- (7) A person shall not be a tax representative unless—
- (a) if he is an individual, he is resident in the United Kingdom and has a fixed place of residence there, or
  - (b) if he is not an individual, he has a business establishment in the United Kingdom,
- and, in either case, he satisfies such other requirements (if any) as are prescribed in regulations made for the purpose by the Board.
- (8) A person shall not be an overseas insurer’s tax representative unless—
- (a) his nomination by the overseas insurer has been approved by the Board; or
  - (b) he has been appointed by the Board.
- (9) The Board may by regulations make provision supplementing this section; and the provision that may be made by any such regulations includes provision with respect to—
- (a) the making of a nomination by an overseas insurer of a person to be his tax representative;
  - (b) the information which is to be provided in connection with such a nomination;
  - (c) the form in which such a nomination is to be made;
  - (d) the powers and duties of the Board in relation to such a nomination;
  - (e) the procedure for approving, or refusing to approve, such a nomination, and any time limits applicable to doing so;
  - (f) the termination, by the overseas insurer or the Board, of a person’s appointment as a tax representative;

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- (g) the appointment by the Board of a person as the tax representative of an overseas insurer (including the circumstances in which such an appointment may be made);
  - (h) the nomination by the overseas insurer, or the appointment by the Board, of a person to be the tax representative of an overseas insurer in place of a person ceasing to be his tax representative;
  - (j) circumstances in which an overseas insurer to whom this section applies may, with the Board's agreement, be released (subject to any conditions imposed by the Board) from the requirement that there must be a tax representative;
  - (k) appeals to the Special Commissioners against decisions of the Board under this section or regulations under it.
- (10) The provision that may be made by regulations under subsection (9) above also includes provision for or in connection with the making of other arrangements between the Board and an overseas insurer for the purpose of securing the discharge by or on behalf of the overseas insurer of the relevant duties, within the meaning of section 552B.
- (11) Section 839 (connected persons) applies for the purposes of this section.
- (12) In this section—
- “the designated day” means such day as the Board may specify for the purpose in regulations;
  - “tax representative” means a tax representative under this section.

#### **552B Duties of overseas insurers' tax representatives.**

- (1) It shall be the duty of an overseas insurer's tax representative to secure (where appropriate by acting on the overseas insurer's behalf) that the relevant duties are discharged by or on behalf of the overseas insurer.
- (2) For the purposes of this section “the relevant duties” are—
  - (a) the duties imposed by section 552,
  - (b) any duties imposed by regulations made under subsection (4A)(a) of that section, and
  - (c) any duties imposed by regulations made under subsection (4A)(b) of that section by virtue of subsection (4B) of that section,
 so far as relating to relevant insurances under which the overseas insurer in question has any obligations.
- (3) An overseas insurer's tax representative shall be personally liable—
  - (a) in respect of any failure to secure the discharge of the relevant duties, and
  - (b) in respect of anything done for purposes connected with acting on the overseas insurer's behalf,
 as if the relevant duties were imposed jointly and severally on the tax representative and the overseas insurer.
- (4) In the application of this section in relation to any particular tax representative, it is immaterial whether any particular relevant duty arose before or after his appointment.

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- (5) This section has effect in relation to relevant duties relating to chargeable events happening on or after the day by which section 552A(6) requires the nomination of the overseas insurer’s first tax representative to be made.
- (6) Expressions used in this section and in section 552A have the same meaning in this section as they have in that section.”

**F64 88 Overseas life assurance business.**

.....

**Textual Amendments**

**F64** S. 88 omitted (with effect in accordance with Sch. 14 para. 18 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 14 para. 17(g)**

**F65 89 Personal portfolio bonds.**

.....

**Textual Amendments**

**F65** S. 89 omitted (with effect in accordance with Sch. 14 para. 18 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 14 para. 17(g)**

**90 Distributions to friendly societies.**

- (1) The repeal by section 30(4) of the <sup>M40</sup>Finance (No. 2) Act 1997 of section 231(2) of the Taxes Act 1988 (payment of tax credit to a company resident in the UK) shall not have effect in relation to any distribution made to a friendly society before 6th April 2004 which is—
  - (a) a distribution to a friendly society all of whose profits are exempt from corporation tax by virtue of section 460(1) of the Taxes Act 1988 (life or endowment business of friendly society); or
  - (b) a distribution not falling within paragraph (a) above in relation to which exemption is given under section 460(1) of that Act.
- (2) In relation to any distribution falling within paragraph (a) or (b) of subsection (1) above—
  - (a) paragraph 3 of Schedule 4 to the <sup>M41</sup>Finance (No. 2) Act 1997 (which, from 6th April 1999, repeals certain provisions about claims for tax credits for accounting periods to which self-assessment applies) shall have effect as if the reference in sub-paragraph (2) of that paragraph to 6th April 1999 were a reference to 6th April 2004; and
  - (b) paragraph 2 of that Schedule (which repeals certain provisions about claims for tax credits for earlier periods) shall have no effect.

**F66** (3) .....

*Status: Point in time view as at 01/11/2008.*

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- (4) Schedule 8 to the <sup>M42</sup>Finance (No. 2) Act 1997 (repeals), so far as it relates to any repeal referred to in the preceding provisions of this section, shall have effect subject to those provisions.

**Textual Amendments**

**F66** S. 90(3) repealed (11.5.2001) by 2001 c. 9, s. 110, **Sch. 33 Pt. II(12)**

**Marginal Citations**

**M40** 1997 c. 58.

**M41** 1997 c. 58.

**M42** 1997 c. 58.

**<sup>F67</sup>91 Provisional repayments in connection with pension business.**

.....

**Textual Amendments**

**F67** S. 91 repealed (11.5.2001 with effect as mentioned in s. 87 of the amending Act) by 2001 c. 9, ss. 87, 110, **Sch. 33 Pt. II(12)** Note

*Pensions*

**<sup>F68</sup>92 Approved retirement benefit schemes etc.**

.....

**Textual Amendments**

**F68** S. 92 repealed (6.4.2006) by **Finance Act 2004 (c. 12)**, **Sch. 42 Pt. 3** (with **Sch. 36**)

**<sup>F69</sup>93 Benefits received under non-approved retirement benefits scheme.**

.....

**Textual Amendments**

**F69** S. 93 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**)

**<sup>F70</sup>94 Approval of personal pension schemes.**

.....



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**Textual Amendments**

**F70** Ss. 94-97 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

**F7095 Personal pensions: charge on withdrawal of approval.**

.....

**Textual Amendments**

**F70** Ss. 94-97 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

**F7096 Information relating to personal pension schemes etc.**

.....

**Textual Amendments**

**F70** Ss. 94-97 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

**F7097 Notices to be given to scheme administrator.**

.....

**Textual Amendments**

**F70** Ss. 94-97 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

**98 Assessments on scheme administrators.**

**F71**(1) .....

(2) In section 9 of the <sup>M43</sup>Taxes Management Act 1970 (self-assessment), in subsection (1), for “subsection (2)” there shall be substituted “ subsections (1A) and (2) ”; and after that subsection there shall be inserted the following subsection—

“(1A) The tax to be assessed on a person by a self-assessment shall not include any tax which, under Chapter I or IV of Part XIV of the principal Act, is charged on the administrator of a scheme (within the meaning of section 658A of that Act) and is assessable by the Board in accordance with that section.”

(3) Subsection (2) above shall have effect for the year 1998-99 and subsequent years of assessment and shall be deemed to have had effect for the years 1996-97 and 1997-98.

**Textual Amendments**

**F71** S. 98(1) repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

*Status: Point in time view as at 01/11/2008.*

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### Marginal Citations

**M43** 1970 c. 9.

## *Futures and options*

### 99 Extension of provisions relating to guaranteed returns.

- F72(1) .....
- F73(2) .....
- F73(3) .....
- F74(4) .....
- F74(5) .....

### Textual Amendments

- F72** S. 99(1) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))
- F73** S. 99(2)(3) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(13) Note of the amending Act) by [2002 c. 23](#), s. 141, [Sch. 40 Pt. 3\(13\)](#) Note
- F74** S. 99(4)(5) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

## *Securities*

### F75 100 Accrued income scheme.

.....

### Textual Amendments

- F75** S. 100 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

### 101 Dealers in securities etc.

- (1) Section 471 of the Taxes Act 1988 (exchange of securities in connection with conversion operations, nationalisation etc.) shall cease to have effect.
- (2) Section 472 of that Act (distribution of securities issued in connection with nationalisation etc.) shall cease to have effect.
- (3) Subsection (1) above applies in relation to exchanges made after the day on which this Act is passed.
- (4) Subsection (2) above applies in relation to issues of securities occurring after that day.

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*Status: Point in time view as at 01/11/2008.*

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## 102 Manufactured dividends.

- (1) In section 231 of the Taxes Act 1988 (tax credits for certain recipients of qualifying distributions) in subsection (1), after “Subject to sections” there shall be inserted “231AA,” and after that section there shall be inserted—

### **“231AA No tax credit for borrower under stock lending arrangement or interim holder under repurchase agreement.**

- (1) A person shall not be entitled to a tax credit under section 231 in respect of a qualifying distribution if—
- he is the borrower under a stock lending arrangement or the interim holder under a repurchase agreement;
  - the qualifying distribution is, or is a payment representative of, a distribution in respect of securities to which the arrangement or agreement relates; and
  - a manufactured dividend representative of that distribution is paid by that person in respect of securities to which the arrangement or agreement relates.
- (2) In this section “stock lending arrangement” has the same meaning as in section 263B of the 1992 Act and, in relation to any such arrangement, any reference to the borrower, or the securities to which the arrangement relates, shall be construed accordingly.
- (3) For the purposes of this section the cases where there is a repurchase agreement are the following—
- any case falling within subsection (1) of section 730A; and
  - any case which would fall within that subsection if the sale price and the repurchase price were different;
- and, in any such case, any reference to the interim holder, or the securities to which the agreement relates, shall be construed accordingly.
- (4) For the purposes of this section “manufactured dividend” has the same meaning as in paragraph 2 of Schedule 23A (and any reference to a manufactured dividend being paid accordingly includes a reference to a payment falling by virtue of section 736B(2) or 737A(5) to be treated for the purposes of Schedule 23A as if it were made).”

- (2) In section 231 of the Taxes Act 1988, in subsection (1), after “231AA,” there shall be inserted “231AB,” and after section 231AA of that Act there shall be inserted—

### **“231AB No tax credit for original owner under repurchase agreement in respect of certain manufactured dividends.**

- (1) A person shall not be entitled to a tax credit under section 231 in respect of a qualifying distribution if—
- he is the original owner under a repurchase agreement;
  - the qualifying distribution is a manufactured dividend paid to that person by the interim holder under the repurchase agreement in respect of securities to which the agreement relates; and

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- (c) the repurchase agreement is not such that the actual dividend which the manufactured dividend represents is receivable otherwise than by the original owner.
- (2) For the purposes of this section the cases where there is a repurchase agreement are the following—
  - (a) any case falling within subsection (1) of section 730A; and
  - (b) any case which would fall within that subsection if the sale price and the repurchase price were different;
 and, in any such case, any reference to the original owner, the interim holder, or the securities to which the agreement relates, shall be construed accordingly.
- (3) Subsection (4) of section 231AA applies for the purposes of this section as it applies for the purposes of that section.”
- (3) In section 737D of the Taxes Act 1988 (power by regulations to provide for manufactured payments to be eligible for relief) in subsection (2) (which defines manufactured payment as any manufactured dividend etc) the words “manufactured dividend” shall cease to have effect.
- (4) Schedule 23A to the Taxes Act 1988 (manufactured dividends and interest) shall be amended in accordance with subsections (5) to (8) below.
- (5) In paragraph 2 (UK equities) for sub-paragraph (2) there shall be substituted—
  - “(2) Where a manufactured dividend is paid by a dividend manufacturer who is a company resident in the United Kingdom, the Tax Acts shall have effect—
    - (a) in relation to the recipient, and persons claiming title through or under him, as if the manufactured dividend were a dividend on the UK equities in question; and
    - (b) in relation to the dividend manufacturer, as if the amount paid were a dividend of his.”
- (6) In paragraph 2(3) (manufactured dividends to which paragraph 2(2) does not apply) paragraph (a) (duty to account for notional ACT) shall cease to have effect.
- <sup>F76</sup>(7) .....
- (8) In consequence of subsection (6) above, the following provisions shall also cease to have effect—
  - (a) in paragraph 2, sub-paragraphs (4) and (5) and, in sub-paragraph (6), paragraph (b) and the word “and” immediately preceding it; and
  - (b) in paragraph 2A (deductibility of manufactured payment in the case of the manufacturer) in sub-paragraph (1), the words “together with an amount equal to the notional ACT” and sub-paragraph (3).
- (9) Subsection (1) above has effect in relation to qualifying distributions made on or after 8th April 1998 if the manufactured dividend representative of the distribution is paid (or treated for the purposes of Schedule 23A to the Taxes Act 1988 as paid) on or after 6th April 1999.
- (10) Subsections (2) to (8) above have effect in relation to manufactured dividends paid (or treated for the purposes of Schedule 23A to the Taxes Act 1988 as paid) on or after 6th April 1999.

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### Textual Amendments

**F76** S. 102(7) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

## *Double taxation relief*

### **103 Restriction of relief on certain interest and dividends.**

(1) For section 798 of the Taxes Act 1988 there shall be substituted the following section—

#### **“798 Restriction of relief on certain interest and dividends.**

- (1) This section applies where—
- (a) in any chargeable period the profits of a trade carried on by a qualifying taxpayer include an amount computed in accordance with section 795 in respect of foreign interest or foreign dividends;
  - (b) the taxpayer is entitled in accordance with this Chapter to credit for foreign tax on the foreign interest or foreign dividends; and
  - (c) in the case of foreign dividends, the foreign tax mentioned in paragraph (b) above is or includes underlying tax.
- (2) The amount of the credit for foreign tax referred to in subsection (1)(b) above which, in accordance with this Chapter, is to be allowed against income tax or corporation tax—
- (a) shall be limited by treating the amount of the foreign interest or foreign dividends (as increased or reduced under section 798A) as reduced (or further reduced) for the purposes of this Chapter by an amount equal to the taxpayer’s financial expenditure in relation to the interest or dividends (as determined in accordance with section 798B); and
  - (b) so far as the credit relates to foreign tax on interest or foreign tax on dividends which is not underlying tax, shall not exceed 15 per cent. of the interest or dividends, computed without regard to paragraph (a) above or to any increase or reduction under section 798A.
- (3) In this section and sections 798A and 798B—
- “interest”, in relation to a loan, includes any introductory or other fee or charge which is payable in accordance with the terms on which the loan is made or is otherwise payable in connection with the making of the loan;
  - “foreign dividends” means dividends payable out of or in respect of the stocks, funds, shares or securities of a body of persons not resident in the United Kingdom;
  - “foreign interest” means interest payable by a person not resident in the United Kingdom or by a government or public or local authority in a country outside the United Kingdom.

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- (4) In this section and section 798B “qualifying taxpayer” means, subject to subsection (5) below, a person carrying on a trade which includes the receipt of interest or dividends and is not an insurance business.
- (5) Where a company which is connected or associated with a qualifying taxpayer is acting in accordance with a scheme or arrangement the purpose, or one of the main purposes, of which is to prevent or restrict the application of this section to the taxpayer—
  - (a) the company shall be treated for the purposes of this section as a qualifying taxpayer; and
  - (b) any foreign interest or foreign dividends received in pursuance of the scheme or arrangement shall be treated for those purposes as profits of a trade carried on by the company.
- (6) For the purposes of this section and section 798B—
  - (a) section 839 applies; and
  - (b) subsection (10) of section 783 applies as it applies for the purposes of that section.”
- (2) This section and sections 104 and 105 do not have effect in relation to foreign interest or foreign dividends paid before 1st January 1999 in pursuance of arrangements which were entered into before, and are not altered on or after, 17th March 1998.
- (3) Subject to subsection (2) above, this section and sections 104 and 105 have effect in relation to foreign interest or foreign dividends paid on or after 17th March 1998.

## **104 Adjustments of interest and dividends for spared tax etc.**

After section 798 of the Taxes Act 1988 there shall be inserted the following section—

### **“798A Adjustments of interest and dividends for spared tax etc.**

- (1) In a case where section 798 applies—
  - (a) subsection (2) below applies if the foreign tax referred to in subsection (1)(b) of that section is or includes an amount of spared tax; and
  - (b) subsection (3) below applies if the foreign tax so referred to is or includes an amount of tax which is not spared tax.
- (2) For the purposes of income tax or corporation tax, the amount which apart from this subsection would be the amount of the foreign interest or foreign dividends shall be treated as increased by so much of the spared tax as does not exceed—
  - (a) the amount of the spared tax for which, in accordance with any arrangements applicable to the case in question, credit falls to be given as mentioned in section 798(1)(b); or
  - (b) if it is less, 15 per cent. of the interest or dividends, computed without regard to any increase under this subsection.
- (3) If the amount of tax which is not spared tax exceeds—
  - (a) the amount of the credit which, by virtue of this Chapter (but disregarding subsection (2) of section 798), is allowed for that tax against income tax or corporation tax; or

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- (b) if it is less in the case of tax on foreign interest, 15 per cent. of the interest, computed without regard to any increase or reduction under this section or that subsection,

then, for the purposes of income tax or corporation tax, the amount which, apart from this subsection, would be the amount of the foreign interest or foreign dividends shall be treated as reduced by a sum equal to the excess.

- (4) Subsection (2) above has effect for the purposes of corporation tax notwithstanding anything in section 80(5) of the <sup>M44</sup>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).
- (5) Nothing in subsection (2) above prejudices the operation of section 795 in relation to foreign tax which is not spared tax.
- (6) In this section “spared tax” means foreign tax which although not payable falls to be taken into account for the purposes of credit by virtue of section 788(5).”

#### Marginal Citations

M44 1996 c. 8.

## 105 Meaning of “financial expenditure”.

After section 798A of the Taxes Act 1988 there shall be inserted the following section—

### “798B Meaning of “financial expenditure”.

- (1) For the purposes of section 798 “financial expenditure”, in relation to a qualifying taxpayer and any interest or dividends is, subject to the provisions of this section, the aggregate of—
- (a) so much of the financial expenses (consisting of interest, discounts or similar sums or qualifying losses) incurred by the taxpayer or a person connected or associated with him as—
- (i) is properly attributable to the earning of the interest or dividends; and
  - (ii) falls to be taken into account in computing the taxpayer’s or person’s liability to income tax or corporation tax; and
- (b) so much of any other sum paid by the taxpayer or a person connected or associated with him which—
- (i) falls to be taken into account as mentioned in paragraph (a) above; and
  - (ii) would not, apart from this paragraph, be taken into account in determining the amount of the interest or dividends,
- as it is reasonable to regard as attributable to the earning of the interest or dividends (whether or not it would fall, in accordance with normal accountancy practice, to be so treated).

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- (2) There shall be deducted from the aggregate given by subsection (1) above so much of the qualifying gains and profits accruing to the qualifying taxpayer or a person connected or associated with him as—
- (a) is properly attributable to the earning of the interest or dividends; and
  - (b) falls to be taken into account in computing the taxpayer's or person's liability to income tax or corporation tax.
- (3) In a case where the amount of a qualifying taxpayer's financial expenditure in relation to the earning of the interest or dividends is not readily ascertainable—
- (a) that amount shall be taken, subject to subsection (4) below, to be such sum as it is just and reasonable to attribute to the earning of the interest or dividends; and
  - (b) in the case of interest, regard shall be had in particular to any market rates of interest by reference to which the rate of the interest is determined.
- (4) The Board may by regulations supplement subsection (3) above—
- (a) by specifying matters to be taken into account in determining such a just and reasonable attribution as is referred to in paragraph (a); and
  - (b) by making provision with respect to the determination of market rates of interest for the purposes of paragraph (b);
- and any such regulations may make different provision for different cases.
- (5) In this section "qualifying losses" means—
- (a) losses falling to be brought into account for the purposes of Chapter II of Part II of the <sup>M45</sup>Finance Act 1993 (exchange gains and losses) in accordance with sections 125 to 127 of that Act; and
  - (b) losses falling to be brought into account for the purposes of Chapter II of Part IV of the <sup>M46</sup>Finance Act 1994 (interest rate and currency contracts) in accordance with sections 155 to 158 of that Act;
- and "qualifying gains" and "qualifying profits" shall be construed accordingly."

**Marginal Citations**

**M45** 1993 c. 34.

**M46** 1994 c. 9.

**106 Underlying tax reflecting interest or dividends.**

- (1) Section 803 of the Taxes Act 1988 (underlying tax reflecting interest on loans) shall be amended as follows.
- (2) In subsection (1)—
- (a) in paragraph (b), after the words "a dividend" there shall be inserted the words " ("the overseas dividend") ";
  - (b) in paragraph (c), for the words "interest on a loan made" there shall be substituted the words " interest or dividends earned or received "; and
  - (c) for paragraph (d) there shall be substituted the following paragraph—



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- “(d) if the company which received the interest or dividends (“the company”) had been resident in the United Kingdom, section 798 would apply in relation to that company.”
- (3) In subsection (3), for the words from “on so much” to the end there shall be substituted the words “ on so much of the interest or dividends as exceeds the amount of the company’s relevant expenditure which is properly attributable to the earning of the interest or dividends ”.
- (4) In subsection (4)—
- (a) in paragraph (a), for the words “section 798(2)” there shall be substituted the words “ section 798(3) ”;
- (b) for paragraph (b) there shall be substituted the following paragraph—
- “(b) “the company’s relevant expenditure” means the amount which, if the company referred to in subsection (1)(d) above were resident in the United Kingdom and were a qualifying taxpayer for the purposes of section 798, would be its financial expenditure in relation to the earning of the interest or dividends, as determined in accordance with section 798B.”
- (5) In subsection (5)—
- (a) for the words “the dividend”, in both places where they occur, there shall be substituted the words “ the overseas dividend ”; and
- (b) for the words “the interest” there shall be substituted the words “ the interest or dividends ”.
- (6) In subsection (6)—
- (a) for the words “the dividend” there shall be substituted the words “ the overseas dividend ”; and
- (b) for the words “the permitted amount” there shall be substituted the following paragraphs—
- “(a) the amount of the spared tax which under any arrangements is to be taken into account for the purpose of allowing credit against corporation tax in respect of the overseas dividend; or
- (b) if it is less, 15 per cent. of the interest or dividends;”.
- (7) For subsection (7) there shall be substituted the following subsection—
- “(7) In this section “spared tax” has the same meaning as in section 798A.”
- (8) In subsection (8)—
- (a) after the words “amount of tax which” there shall be inserted the words “ is referable to interest and ”; and
- (b) for the words “the dividend” there shall be substituted the words “ the overseas dividend ”.
- (9) In subsection (9)—
- (a) for the words “the interest”, in both places where they occur, there shall be substituted the words “ the interest or dividends ”; and
- (b) for the words “the dividend” there shall be substituted the words “ the overseas dividend ”.

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(10) For subsections (10) and (11) there shall be substituted the following subsection—

“(10) In subsection (1) above “bank” means a company carrying on, in the United Kingdom or elsewhere, any trade which includes the receipt of interest or dividends, and section 839 applies for the purposes of that subsection.”

(11) This section does not apply where the overseas dividend is paid before 1st January 1999 in pursuance of arrangements which were entered into before, and are not altered on or after, 17th March 1998.

(12) Subject to subsection (11) above, this section applies where the overseas dividend is paid on or after 17th March 1998.

### **107 Notification of foreign tax adjustment.**

(1) In section 806 of the Taxes Act 1988 (supplemental provision with respect to double taxation relief), after subsection (2) there shall be inserted the following subsections—

“(3) Subject to subsection (5) below, where—

- (a) any credit for foreign tax has been allowed to a person under any arrangements, and
- (b) the amount of that credit is subsequently rendered excessive by reason of an adjustment of the amount of any tax payable under the laws of a territory outside the United Kingdom,

that person shall give notice in writing to an officer of the Board that an adjustment has been made that has rendered the amount of the credit excessive.

(4) A notice under subsection (3) above must be given within one year from the time of the making of the adjustment.

(5) Subsections (3) and (4) above do not apply where the adjustment is one the consequences of which in relation to the credit fall to be given effect to in accordance with regulations made under—

- (a) section 182(1) of the <sup>M47</sup>Finance Act 1993 (regulations relating to individual members of Lloyd’s); or
- (b) section 229 of the <sup>M48</sup>Finance Act 1994 (regulations relating to corporate members of Lloyd’s).

(6) A person who fails to comply with the requirements imposed on him by subsections (3) and (4) above in relation to any adjustment shall be liable to a penalty of an amount not exceeding the amount by which the credit allowed has been rendered excessive by reason of the adjustment.”

(2) This section shall be deemed to have come into force on 17th March 1998 in relation to adjustments made on or after that date.

#### **Marginal Citations**

**M47** 1993 c. 34.

**M48** 1994 c. 9.

*Status: Point in time view as at 01/11/2008.*

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*Transfer pricing, FOREX and financial instruments*

**108 New regime for transfer pricing etc.**

- (1) For sections 770 to 773 of the Taxes Act 1988 (transfer pricing provisions) there shall be substituted the following section—

**“770A Provision not at arm’s length.**

Schedule 28AA (which deals with provision made or imposed otherwise than at arm’s length) shall have effect.”

- (2) After Schedule 28A to that Act there shall be inserted, as Schedule 28AA to that Act, the Schedule set out in Schedule 16 to this Act.

<sup>F77</sup>(3) .....

- (4) In the <sup>M49</sup>Finance Act 1996—

<sup>F77</sup>(a) .....

- (b) in paragraph 16 of Schedule 9 (imputed interest)—

(i) in sub-paragraph (1), for the words from “sections 770” to “that Act” there shall be substituted “ Schedule 28AA to the Taxes Act 1988 (provision not at arm’s length) ”; and

(ii) in sub-paragraph (2), for “Those sections” there shall be substituted “ That Schedule ”.

- (5) Subject to subsection (6) below, this section and Schedule 16 to this Act have effect (in relation to provision made or imposed at any time)—

(a) for the purposes of corporation tax, as respects accounting periods ending on or after the day appointed under section 199 of the <sup>M50</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions); and

(b) for the purposes of income tax, as respects any year of assessment ending on or after that day.

- (6) The Schedule 28AA to the Taxes Act 1988 that is inserted by subsection (2) above shall not, in the case of any potentially advantaged person, apply as respects the consequences at any time of the difference between the actual provision and the arm’s length provision if—

(a) that time falls before 17th March 2001;

(b) the actual provision is a provision made or imposed by means of contractual arrangements entered into by that person before 17th March 1998;

(c) the requirements of paragraph 1(1)(b) of Schedule 28AA to that Act (control requirements) are satisfied in the case of the actual provision and that person by reference only to paragraph 4(2)(b) of that Schedule (joint ventures etc.);

(d) the rights and obligations of that person by virtue of the actual provision are not ones that have been varied or continued in pursuance of any transaction entered into by that person in the period between 17th March 1998 and that time; and

(e) that person is not a party, and has not been a party, to any transaction by virtue of which he could during that period have secured the variation or termination of those rights and obligations.

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- (7) Expressions used in subsection (6) above and in Schedule 28AA to the Taxes Act 1988 have the same meanings in that subsection as in that Schedule.

#### Textual Amendments

**F77** S. 108(3)(4)(a) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(10) Note 2 of the amending Act) by 2002 c. 23, s. 141, **Sch. 40 Pt. 3(10)** Note 2

#### Marginal Citations

**M49** 1996 c. 8.  
**M50** 1994 c. 9.

- 109**<sup>F78</sup>(1) .....
- <sup>F78</sup>(2) .....
- <sup>F79</sup>(3) .....
- <sup>F80</sup>(4) .....
- <sup>F80</sup>(5) .....

#### Textual Amendments

**F78** S. 109(1)(2) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(10) Note 2 of the amending Act) by 2002 c. 23, s. 141, **Sch. 40 Pt. 3(10)** Note 2

**F79** S. 109(3) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(13) Note 2 of the amending Act) by 2002 c. 23, s. 141, **Sch. 40 Pt. 3(13)** Note 2

**F80** S. 109(4)(5) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(10) Note 2, Pt. 3(13) Note 2 of the amending Act) by 2002 c. 23, s. 141, **Sch. 40 Pt. 3(10)** Note 2, Pt. 3(13) Note 2

### **110 Determinations requiring the sanction of the Board.**

- (1) This section has effect where a determination requiring the Board's sanction is made for any of the following purposes, that is to say—
- (a) the giving of a closure notice;
  - (b) the giving of a notice under section 30B(1) of the <sup>M51</sup>Taxes Management Act 1970 amending a<sup>F81</sup> partnership return; or
  - (c) the making of a discovery assessment.
- (2) If the closure notice, the notice under section 30B(1) of the <sup>M52</sup>Taxes Management Act 1970 or, as the case may be, a notice of the discovery assessment is given to any person—
- (a) without the determination, so far as it is taken into account in the notice or assessment, having been approved by the Board, or
  - (b) without a copy of the Board's approval having been served on that person at or before the time of the giving of the notice,

the closure notice, notice under section 30B(1) of that Act or, as the case may be, the discovery assessment shall be deemed to have been given or made (and in the case

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- of an assessment notified) in the terms (if any) in which it would have been given or made had that determination not been taken into account.
- (3) For the purposes of this section the Board’s approval of a determination requiring their sanction—
- (a) must be given specifically in relation to the case in question and must apply to the amount determined; but
  - (b) subject to that, may be given by the Board (either before or after the making of the determination) in any such form or manner as they may determine.
- (4) In this section references to a determination requiring the Board’s sanction are references (subject to subsection (5) below) to any of the following determinations, that is to say—
- (a) a determination of an amount falling to be brought into account for tax purposes in respect of any assumption made by virtue of paragraph 1(2) of Schedule 28AA to the Taxes Act 1988 (provision not at arm’s length);
  - <sup>F82</sup>(b) .....
  - (c) a determination of the amount of any adjustment falling to be made for tax purposes in respect of any deduction from, or addition to, any amount in accordance with section 167 of the <sup>M53</sup>Finance Act 1994 (arm’s length test in relation to financial instruments).
- (5) For the purposes of this section a determination shall be taken, in relation to a closure notice, a notice under section 30B(1) of the <sup>M54</sup>Taxes Management Act 1970 or a discovery assessment, not to be a determination requiring the Board’s sanction if—
- (a) an agreement about the matters to which the determination relates has been made between an officer of the Board and the person in whose case it is made;
  - (b) that agreement is in force at the time of the giving of the notice or, as the case may be, of any notice of the assessment; and
  - (c) the matters to which the agreement relates include the amount determined.
- (6) For the purposes of subsection (5) above an agreement made between an officer of the Board and any person (“the taxpayer”) in relation to any matter shall be taken to be in force at any time if, and only if—
- (a) the agreement is one which has been made or confirmed in writing;
  - (b) that time is after the end of the period of thirty days beginning—
    - (i) in the case of an agreement made in writing, with the day of the making of the agreement, and
    - (ii) in any other case, with the day of the agreement’s confirmation in writing;
- and
- (c) the taxpayer has not, before the end of that period of thirty days, served a notice on an officer of the Board stating that he is repudiating or resiling from the agreement.
- (7) The references in subsection (6) above to the confirmation in writing of an agreement are references to the service on the taxpayer by an officer of the Board of a notice in writing—
- (a) stating that the agreement has been made; and
  - (b) setting out the terms of the agreement.

*Status: Point in time view as at 01/11/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 10 July 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)*

- (8) The matters that may be questioned on so much of any appeal by virtue of any provision of the <sup>M55</sup>Taxes Management Act 1970 or Schedule 18 to this Act as relates to a determination the making of which has been approved by the Board for the purposes of this section shall not include the Board’s approval, except to the extent that the grounds for questioning the approval are the same as the grounds for questioning the determination itself.
- (9) In this section—
- “closure notice” means—
- (a) [<sup>F83</sup>a closure notice under section 28A(1) or 28B(1) of the Taxes Management Act 1970 in relation to an enquiry into a return under section 8 or 8A of that Act or into a partnership return; or]
- (b) a closure notice under paragraph 32 of Schedule 18 to this Act in relation to an enquiry into a company tax return;
- “discovery assessment” means—
- (a) an assessment under section 29 of the <sup>M56</sup>Taxes Management Act 1970; or
- (b) a discovery assessment or discovery determination under paragraph 41 of Schedule 18 to this Act (including an assessment by virtue of paragraph 52 of that Schedule).
- (10) This section has effect—
- (a) for the purposes of corporation tax, as respects accounting periods ending on or after the day appointed under section 199 of the <sup>M57</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions); and
- (b) for the purposes of income tax, as respects any year of assessment ending on or after that day.

#### Textual Amendments

- F81** Words in s. 110(1)(b) substituted (11.5.2001 with effect as mentioned in s. 88(3) of the amending Act) by 2001 c. 9, s. 88, **Sch. 29 para. 38(1)(2)(a)**
- F82** S. 110(4)(b) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(10) Note 2 of the amending Act) by 2002 c. 23, s. 141, **Sch. 40 Pt. 3(10)** Note 2
- F83** S. 110(9): para. (a) in definition of “closure notice” substituted (11.5.2001 with effect as mentioned in s. 88 of the amending Act) by 2001 c. 9, s. 88, **Sch. 29 para. 38(2)(b)**

#### Marginal Citations

- M51** 1970 c. 9.  
**M52** 1970 c. 9.  
**M53** 1994 c. 9.  
**M54** 1970 c. 9.  
**M55** 1970 c. 9.  
**M56** 1970 c. 9.  
**M57** 1994 c. 9.

## 111 Notice to potential claimants.

- (1) Where—
- (a) a relevant notice is given to any person,

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- (b) that notice, or anything contained in it, takes account of a determination of an amount falling to be brought into account for tax purposes in respect of any assumption made by virtue of paragraph 1(2) of Schedule 28AA to the Taxes Act 1988 (provision not at arm's length), and
  - (c) it appears to an officer of the Board that there is a person who is or may be a disadvantaged person by reference to the subject-matter of that determination, the officer shall give a notice under this section to the person who so appears to him.
- (2) A notice under this section is a notice containing particulars of the determination by reference to which the person to whom the notice is given appears to an officer of the Board to be a person who is or may be a disadvantaged person.
- (3) Where, in any case, there is a contravention of subsection (1) above or the notice required by that subsection is given after the giving of the relevant notice, the Board—
  - (a) shall consider whether, as a result of the contravention, any person has been prejudiced with respect to the making or amendment of a claim for the purposes of paragraph 6 of Schedule 28AA to the Taxes Act 1988 (claim for relief by party disadvantaged by transfer pricing adjustment), and
  - (b) may, if they think fit, treat the period for the making or amendment of such a claim in that case as extended by such further period as appears to them to be appropriate.
- (4) Where, in a case in which a relevant notice is given to any person, there is a contravention of this section, that contravention shall not affect the validity of that notice or of any determination to which that notice relates.
- (5) For the purposes of this section a person is a disadvantaged person by reference to the subject-matter of a determination such as is mentioned in subsection (1)(b) above if, and only if—
  - (a) he is entitled, in consequence of the making of the determination, to make a claim for the purposes of paragraph 6 of Schedule 28AA to the Taxes Act 1988;
  - (b) he is entitled, in consequence of the making of the determination, to amend such a claim; or
  - (c) he will be entitled, by virtue of paragraph 12(3) of that Schedule, to appear and be heard by the Special Commissioners in any proceedings on an appeal relating to that determination.
- (6) In this section “relevant notice” means any of the following, that is to say—
  - (a) a closure notice under section 28A(1) or 28B(1) of the Taxes Management Act 1970 in relation to an enquiry into a return under section 8 or 8A of that Act or into a partnership return;
  - (b) a closure notice under paragraph 32 of Schedule 18 to this Act in relation to an enquiry into a company tax return;
  - (c) a notice of assessment under section 29 of that Act of 1970;
  - (d) a notice of any discovery assessment or discovery determination under paragraph 41 of Schedule 18 to this Act (including any notice of an assessment by virtue of paragraph 52 of that Schedule);
  - (e) a notice under section 30B(1) of that Act of 1970 amending a<sup>F84</sup> partnership return.

*Status: Point in time view as at 01/11/2008.*

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- (7) This section applies to notices given at any time after the day appointed under section 199 of the <sup>M58</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions).

**Textual Amendments**

**F84** Words in s. 111(6)(e) substituted 11.5.2001 with effect as mentioned in s. 88 of the amending Act) by 2001 c. 9, s. 88, **Sch. 29 para. 38(1)(3)(b)**

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

**C3** S. 111 modified (27.7.1999) by 1999 c. 16, s. 87(5)

**Marginal Citations**

**M58** 1994 c. 9.

*Controlled foreign companies*

**112 Exempt activities.**

- (1) Part II of Schedule 25 to the Taxes Act 1988 (exempt activities) shall be amended as follows.
- (2) In paragraph 9 (activities which constitute investment business) for sub-paragraph (1A) (definition of “intellectual property”) there shall be substituted—
- “(1A) In sub-paragraph (1)(a) above “intellectual property” includes (in particular)
- 
- (a) any industrial, commercial or scientific information, knowledge or expertise;
  - (b) any patent, trade mark, registered design, copyright or design right;
  - (c) any licence or other right in respect of intellectual property;
  - (d) any rights under the law of a country outside the United Kingdom which correspond or are similar to those falling within paragraph (b) or (c) above.”
- (3) In paragraph 11(1) (activities which constitute wholesale, distributive or financial business) for paragraph (c) (banking or any similar business involving the receipt of deposits, loans or both and the making of loans or investments) there shall be substituted—
- “(c) banking, deposit-taking, money-lending or debt-factoring, or any business similar to banking, deposit-taking, money-lending or debt-factoring;”.
- (4) In consequence of subsection (3) above—
- (a) in paragraph 9(3), for “banking or any similar business” there shall be substituted “business”;
  - (b) in paragraph 11(3), for “banking or other business” there shall be substituted “business”.



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- (5) This section has effect in relation to accounting periods of a controlled foreign company, within the meaning of Chapter IV of Part XVII of the Taxes Act 1988, beginning on or after 17th March 1998.

### **113 Miscellaneous amendments.**

Schedule 17 to this Act (which makes provision in relation to controlled foreign companies) shall have effect.

#### *Changes in company ownership*

### **114 Postponed corporation tax.**

- (1) After section 767A of the Taxes Act 1988 there shall be inserted the following section—

#### **“767AA Change in company ownership: postponed corporation tax.**

- (1) Where it appears to the Board that—
- (a) there has been a change in the ownership of a company (“the transferred company”),
  - (b) any corporation tax relating to an accounting period ending on or after the change has been assessed on the transferred company or an associated company,
  - (c) that tax remains unpaid at any time more than six months after it was assessed, and
  - (d) the condition set out in subsection (2) below is fulfilled,
- any person mentioned in subsection (4) below may be assessed by the Board and charged to an amount of corporation tax not exceeding the amount remaining unpaid.
- (2) The condition is that it would be reasonable (apart from this section) to infer, from either or both of—
- (a) the terms of any transactions entered into in connection with the change, and
  - (b) the other circumstances of the change and of any such transactions, that at least one of those transactions was entered into by one or more of its parties on the assumption, as regards a potential tax liability, that that liability would be unlikely to be met, or met in full, if it were to arise.
- (3) In subsection (2) above the reference to a potential tax liability is a reference to a liability to pay corporation tax which—
- (a) in circumstances which were reasonably foreseeable at the time of the change in ownership, or
  - (b) in circumstances the occurrence of which is something of which there was at that time a reasonably foreseeable risk,
- would or might arise from an assessment made, after the change in ownership, on the transferred company or an associated company (whether or not a particular associated company).

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- (4) The persons mentioned in subsection (1) above are—
- (a) any person who at any time during the relevant period had control of the transferred company;
  - (b) any company of which the person mentioned in paragraph (a) above has at any time had control within the period of three years before the change in the ownership of the transferred company.
- (5) In subsection (4) above, “the relevant period” means—
- (a) the period of three years before the change in the ownership of the transferred company; or
  - (b) if during the period of three years before that change (“the later change”) there was a change in the ownership of the transferred company (“the earlier change”), the period elapsing between the earlier change and the later change.
- (6) For the purposes of this section a transaction is entered into in connection with a change in the ownership of a company if—
- (a) it is the transaction, or one of the transactions, by which that change is effected; or
  - (b) it is entered into as part of a series of transactions, or scheme, of which transactions effecting the change in ownership have formed or will form a part.
- (7) For the purposes of this section—
- (a) references to a scheme are references to any scheme, arrangements or understanding of any kind whatever, whether or not legally enforceable, involving a single transaction or two or more transactions;
  - (b) it shall be immaterial in determining whether any transactions have formed or will form part of a series of transactions or scheme that the parties to any of the transactions are different from the parties to another of the transactions; and
  - (c) the cases in which any two or more transactions are to be taken as forming part of a series of transactions or scheme shall include any case in which it would be reasonable to assume that one or more of them—
    - (i) would not have been entered into independently of the other or others; or
    - (ii) if entered into independently of the other or others, would not have taken the same form or been on the same terms.
- (8) In this section references, in relation to the transferred company and an assessment to tax, to an associated company are references to any company (whenever formed) which, at the time of the assessment or at an earlier time after the change in ownership—
- (a) has control of the transferred company;
  - (b) is a company of which the transferred company has control; or
  - (c) is a company under the control of the same person or persons as the transferred company.

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- (9) A person assessed and charged to tax under this section shall be assessed and charged in the name of the company by whom the tax to which the assessment relates remains unpaid.
- (10) Any assessment made under this section shall not be out of time if made within three years from the date of the final determination of the liability of the company by whom the tax remains unpaid to corporation tax for the accounting period for which that tax was assessed.”
- (2) Subsection (1) above has effect in relation to changes in ownership occurring on or after 2nd July 1997 other than any change occurring in pursuance of a contract entered into before 2nd July 1997.

## **115 Information powers where ownership changes.**

- (1) After section 767B of the Taxes Act 1988, there shall be inserted the following section—

### **“767C Change in company ownership: information.**

- (1) This section applies where it appears to the Board that—
  - (a) there has been a change in the ownership of a company (“the subject company”); and
  - (b) in connection with that change a person (“the seller”) may be or become liable to be assessed and charged to corporation tax under section 767A or 767AA.
- (2) The Board may by notice require any person to supply to them—
  - (a) any document in the person’s possession or power which appears to the Board to be relevant for determining any one or more of the matters referred to in subsection (3) below; or
  - (b) any particulars which appear to them to be so relevant.
- (3) Those matters are—
  - (a) whether the seller is or may become liable as mentioned in subsection (1) above and the extent of the liability or potential liability; and
  - (b) whether the subject company or an associated company is or may become liable to be assessed to any tax in respect of which the seller is or could become liable as mentioned in subsection (1) above, and the extent of the liability or potential liability of the subject company or associated company.
- (4) Without prejudice to the following provisions of this section, the references in subsection (2) above to documents and particulars are references to the documents and particulars specified or described in the notice.
- (5) A notice under subsection (2) above must specify the period, which must not be less than 30 days, within which the notice must be complied with.
- (6) Any person to whom any documents are supplied under this section may take copies of them or of any extracts from them.

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- (7) A notice under subsection (2) above shall not oblige a person to supply any documents or particulars relating to the conduct of any pending appeal relating to tax.
- (8) In relation to any notice under subsection (2) above—
- (a) subsection (4) of section 20B of the <sup>M59</sup>Taxes Management Act 1970 (rules relating to copies of documents) shall apply as it applies in relation to a notice under section 20(1) of that Act; and
  - (b) subsections (8) to (14) of section 20B of that Act (rules about obtaining documents etc. from professional advisers) shall apply as they apply in relation to a notice under section 20(3) of that Act but as if any reference to an inspector were a reference to the Board; and subsection (8C) of section 20 of that Act (exclusion of personal records and journalistic material) shall apply for the purposes of this section as it applies for the purposes of that section.
- (9) In this section references, in relation to the subject company and an assessment to tax, to an associated company are references to any company which, at the time of the assessment or at an earlier time after the change in ownership—
- (a) has control of the subject company;
  - (b) is a company of which the subject company has control; or
  - (c) is a company under the control of the same person or persons as the subject company.
- (10) In this section “document” means anything in which information of any description is recorded.”
- (2) In the Table in section 98 of the <sup>M60</sup>Taxes Management Act 1970 (penalties in respect of certain information provisions), after the entry in the first column relating to section 765A of the Taxes Act 1988, there shall be inserted the following entry—

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“section 767C;”.

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- (3) The preceding provisions of this section have effect in relation to changes in ownership occurring on or after 2nd July 1997 other than any change occurring in pursuance of a contract entered into before 2nd July 1997.

**Marginal Citations**

**M59** 1970 c. 9.

**M60** 1970 c. 9.

**116 Provisions supplemental to sections 114 and 115.**

- (1) After subsection (1) of section 767B of the Taxes Act 1988 (supplementary provision about changes of company ownership), there shall be inserted the following subsection—

“(1A) In relation to corporation tax assessed under section 767AA, section 87A of the Management Act shall have effect as if the references to the date when the tax becomes due and payable were references to the date when the tax became

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due and payable by the transferred company or the associated company (as the case may be).”

- (2) In subsection (2) of that section—
  - (a) after “767A” there shall be inserted “ or 767AA ”; and
  - (b) at the end there shall be added “or the transferred company or associated company (as the case may be)”.
- (3) In subsection (4) of that section, for “section 767A” there shall be substituted “ sections 767A, 767AA and 767C ”.
- (4) In subsection (10) of that section, for “section 767A” there shall be substituted “ sections 767A and 767AA ”.
- (5) In section 769 of that Act (rules for ascertaining change in ownership of a company)—
  - (a) in subsections (1) and (5), after “767A,” there shall be inserted “ 767AA, 767C, ”;
  - (b) in subsection (2)(d), after “767A,” there shall be inserted “ 767AA, ”; and
  - (c) in subsections (2A) and (9), after “767A” there shall be inserted “ , 767AA or 767C ”.
- (6) The preceding provisions of this section have effect in relation to changes in ownership occurring on or after 2nd July 1997 other than any change occurring in pursuance of a contract entered into before 2nd July 1997.

#### *Corporation tax self-assessment*

### **117 Company tax returns, assessments and related matters.**

- (1) The provisions of Schedule 18 to this Act have effect in place of—
  - (a) the provisions of Parts II and IV of the <sup>M61</sup>Taxes Management Act 1970 (returns, assessment and claims), so far as they relate to corporation tax,
  - (b) certain related provisions of Part X of that Act (penalties) [<sup>F85</sup>and]
  - (c) Schedule 17A to the Taxes Act 1988 (group relief: claims),

[<sup>F86</sup> and also make provision in relation to claims for allowances under the Capital Allowances Act]
- (2) Schedule 18 to this Act, the <sup>M62</sup>Taxes Management Act 1970 and the Tax Acts shall be construed and have effect as if that Schedule were contained in that Act.
- (3) The enactments mentioned in Schedule 19 to this Act have effect with the amendments specified there, which are minor amendments and amendments consequential on Schedule 18.
- (4) Except as otherwise provided, the provisions of Schedules 18 and 19 to this Act have effect in relation to accounting periods ending on or after the self-assessment appointed day.
- (5) In this section “the self-assessment appointed day” means the day appointed by the Treasury under section 199 of the <sup>M63</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment).

*Status: Point in time view as at 01/11/2008.*

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#### Textual Amendments

- F85** Word in s. 117(1)(b) inserted (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, ss. 578, 579, **Sch. 2 para. 100(1)**
- F86** Words in s. 11(1) and preceding “and” substituted for s. 117(1)(d) (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, **ss. 578, 579** Sch. 2 para. 100(2)

#### Marginal Citations

- M61** 1970 c. 9.  
**M62** 1970 c. 9.  
**M63** 1994 c. 9.

*Telephone claims etc.*

### 118 Claims for income tax purposes.

- (1) Subject to the following provisions of this section, the Board may, by publishing them in such manner as they think fit, give such general directions for the purposes of income tax as they consider appropriate with respect to—
  - (a) the circumstances in which, and
  - (b) the conditions subject to which,
 claims under the Tax Acts may be made by individuals by the use of [<sup>F87</sup>an electronic communications service] or otherwise without producing a claim in writing.
- (2) If directions of the Board under this section are for the time being in force with respect to the making to the Board or an officer of the Board of claims of any description, then, notwithstanding any enactment or subordinate legislation requiring claims of that description to be made in writing or by notice, claims of that description may be made to the Board or, as the case may be, an officer of the Board in any manner authorised by the directions.
- (3) Where directions of the Board under this section are for the time being in force with respect to the making of claims of any description, claims of that description that are made without producing the claim in writing must be made in accordance with the directions.
- (4) The power of the Board to give directions under this section—
  - (a) shall not be exercisable in relation to the making of any claim by an individual in his capacity as a trustee, partner or personal representative; but
  - (b) subject to that, shall be exercisable in relation to claims made by an individual through another person acting on his behalf.
- (5) The Board shall not give directions under this section with respect to—
  - (a) the making of any claim to which Schedule 1B to the <sup>M64</sup>Taxes Management Act 1970 applies; or
  - (b) the making of any claim under any provision of the [<sup>F88</sup>the Capital Allowances Act] .
- (6) Directions under this section—

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- (a) shall not be capable of modifying any requirement by or under any enactment as to the period within which any claim is to be made or as to the contents of any claim; but
  - (b) may include provision as to how any requirement as to the contents of a claim is to be fulfilled when the claim is not produced in writing.
- (7) Different provision may be made by directions under this section with respect to the making of claims of different descriptions; and a direction under this section may revoke or vary any previous direction given under this section.
- (8) References in the preceding provisions of this section to the making of a claim include references to any of the following—
- (a) the making of an election,
  - (b) the giving of a notification or notice,
  - (c) the amendment of any return, claim, election, notification or notice,
  - (d) the withdrawal of any claim, election, notification or notice,
- and references in those provisions to a claim shall be construed accordingly.
- (9) In this section—
- “return” includes any statement or declaration under the Income Tax Acts;
  - “subordinate legislation” has the same meaning as in the <sup>M65</sup>Interpretation Act 1978.

<sup>F89</sup>(10) .....

#### Textual Amendments

- F87** Words in s. 118(1) substituted (25.7.2003 for specified purposes, 29.12.2003 in so far as not already in force) by [Communications Act 2003 \(c. 21\)](#), s. 411(2), **Sch. 17 para. 152** (with [Sch. 18](#)); [S.I. 2003/1900](#), arts. 1(2), 2(1), [Sch. 1](#) (with [art. 3](#)) (as amended by [S.I. 2003/3142](#), art. 1(3)); [S.I. 2003/3142](#), [art. 3\(2\)](#) (with [art. 11](#))
- F88** Words in s. 118(5)(b) (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by [2001 c. 2](#), ss. 578, 579(1), **Sch. 2 para. 101**
- F89** [S. 118\(10\)](#) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

#### Marginal Citations

- M64** [1970 c. 9](#).
- M65** [1978 c. 30](#).

### 119 Evidential provisions in PAYE regulations.

In section 203 of the Taxes Act 1988 (PAYE regulations), after subsection (9) there shall be inserted the following subsection—

“(10) Without prejudice to the generality of the powers conferred by the preceding provisions of this section, regulations under this section may include provision as to the manner of proving any of the matters for which the regulations provide and, in particular, of proving the contents or transmission of anything that, by virtue of the regulations, takes an electronic form or is transmitted to any person by electronic means.”

*Status: Point in time view as at 01/11/2008.*

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## CHAPTER II

### TAXATION OF CHARGEABLE GAINS

#### *Rate for trustees*

#### **F90 120 Rate of CGT for trustees etc.**

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##### **Textual Amendments**

**F90** S. 120 omitted (with effect in accordance with Sch. 2 para. 22 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 21(c)(i)**

#### *Taper relief and indexation allowance*

#### **121 Taper relief for CGT.**

**F91**(1) .....

**F92**(2) .....

(3) Schedule 21 to this Act (which makes incidental and consequential provision in connection with the introduction of taper relief) shall have effect.

(4) This section and those two Schedules have effect for the year 1998-99 and subsequent years of assessment.

##### **Textual Amendments**

**F91** S. 121(1) omitted (with effect in accordance with Sch. 2 para. 56(3) to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 55(a)(i)**

**F92** S. 121(2) omitted (with effect in accordance with Sch. 2 para. 56(3) to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 55(a)(i)**

#### **122 Freezing of indexation allowance for CGT.**

**F93**(1) .....

**F93**(2) .....

**F93**(3) .....

(4) In section 13 of that Act (attribution of gains to non-resident companies), the following subsection shall be inserted after subsection (11)—

“(11A) For the purposes of this section the amount of the gain or loss accruing at any time to a company that is not resident in the United Kingdom shall be computed (where it is not the case) as if that company were within the charge to corporation tax on capital gains.”



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<sup>F94</sup>(5) .....

(6) Subject to subsection (7) below, the preceding provisions of this section have effect in relation to disposals on or after 6th April 1998.

(7) This section does not affect the computation of the amount of so much of any gain as—

(a) is treated for the purposes of the taxation of chargeable gains as having accrued on a disposal on or after 6th April 1998; but

(b) is taken for those purposes to be equal to the whole or any part of a gain that—

(i) would (but for any enactment relating to the taxation of chargeable gains) have accrued on an actual disposal made before that date, or

(ii) would have accrued on a disposal assumed under any such enactment to have been made before that date.

#### Textual Amendments

**F93** S. 122(1)-(3) omitted (with effect in accordance with Sch. 2 para. 83 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 82**

**F94** S. 122(5) omitted (with effect in accordance with Sch. 2 para. 83 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 82**

#### *Pooling and identification of shares etc.*

### 123 Abolition of pooling for CGT.

<sup>F95</sup>(1) .....

<sup>F96</sup>(2) .....

(3) In subsection (3) of that section (interpretation), for “ “a new holding” is” there shall be substituted “ “a section 104 holding” is ”.

(4) For subsection (4) of that section there shall be substituted the following subsection—

“(4) For the purposes of this Chapter securities of a company which are held—

(a) by a person who acquired them as an employee of the company or of any other person, and

(b) on terms which for the time being restrict his right to dispose of them, shall (notwithstanding that they would otherwise fall to be treated as of the same class) be treated as of a different class from any securities acquired by him otherwise than as an employee of the company or of any other person and also from any shares that are not held subject to restrictions, or the same restrictions, on disposal or in the case of which the restrictions are no longer in force.”

(5) In the following enactments for the words “new holding”, wherever they occur, there shall be substituted “ section 104 holding ”, namely—

(a) in section 440A of the Taxes Act 1988 (securities held by insurance companies); and

(b) in sections 104(6), 107 and 110 of the <sup>M66</sup>Taxation of Chargeable Gains Act 1992.

*Status: Point in time view as at 01/11/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 10 July 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)*

- (6) The preceding provisions of this section have effect in relation to any disposal on or after 6th April 1998 of any securities (whenever acquired).
- (7) The powers of the Treasury to make provision by regulations under one or [<sup>F97</sup>more] of—
- (a) section 333 of the Taxes Act 1988 [<sup>F98</sup>(investment plan regulations)],
  - (a) section 151 of the <sup>M67</sup>Taxation of Chargeable Gains Act 1992 (capital gains tax and investment plans), [<sup>F99</sup>and
  - (c) Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 (income from individual investment plans),]

shall include power to provide, to such extent as appears to them to be appropriate for purposes connected with the enactment of this section and section 124 below, for any provision contained in any such regulations to have effect retrospectively in relation to such times falling on or after 17th March 1998 as may be specified in the regulations.

#### Textual Amendments

- F95** S. 123(1) omitted (with effect in accordance with Sch. 2 para. 100 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 96(a)**
- F96** S. 123(2) omitted (with effect in accordance with Sch. 2 para. 100 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 96(a)**
- F97** Word in s. 123(7) substituted (6.4.2005) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 504(a)** (with Sch. 2)
- F98** Words in s. 123(7)(a) substituted (6.4.2005) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 504(b)** (with Sch. 2)
- F99** S. 123(7)(c) and preceding word added (6.4.2005) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 504(c)** (with Sch. 2)

#### Marginal Citations

- M66** 1992 c. 12.  
**M67** 1992 c. 12.

## 124 New identification rules for CGT.

- (1) After section 106 of the <sup>M68</sup>Taxation of Chargeable Gains Act 1992 there shall be inserted the following section—

### “106A Identification of securities: general rules for capital gains tax.

- (1) This section has effect for the purposes of capital gains tax (but not corporation tax) where any securities are disposed of by any person.
- (2) The securities disposed of shall be identified in accordance with the following provisions of this section with securities of the same class that have been acquired by the person making the disposal.
- (3) The provisions of this section have effect in the case of any disposal notwithstanding that some or all of the securities disposed of are otherwise identified—
  - (a) by the disposal, or
  - (b) by a transfer or delivery giving effect to it;

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*Status: Point in time view as at 01/11/2008.*

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but where a person disposes of securities in one capacity, they shall not be identified under those provisions with any securities which he holds, or can dispose of, only in some other capacity.

- (4) Securities disposed of on an earlier date shall be identified before securities disposed of on a later date; and, accordingly, securities disposed of by a later disposal shall not be identified with securities already identified as disposed of by an earlier disposal.
  - (5) Subject to subsection (4) above, if within the period of thirty days after the disposal the person making it acquires securities of the same class, the securities disposed of shall be identified—
    - (a) with securities acquired by him within that period, rather than with other securities; and
    - (b) with securities acquired at an earlier time within that period, rather than with securities acquired at a later time within that period.
  - (6) Subject to subsections (4) and (5) above, securities disposed of shall be identified with securities acquired at a later time, rather than with securities acquired at an earlier time.
  - (7) Subsection (6) above shall not require securities to be identified with particular securities comprised in a section 104 holding or a 1982 holding.
  - (8) Accordingly, that subsection shall have effect for determining whether, and to what extent, any securities should be identified with the whole or any part of a section 104 holding or a 1982 holding—
    - (a) as if the time of the acquisition of a section 104 holding were the time when it first came into being; and
    - (b) as if 31st March 1982 were the time of the acquisition of a 1982 holding.
  - (9) The identification rules set out in the preceding provisions of this section have effect subject to subsection (1) of section 105, and securities disposed of shall not be identified with securities acquired after the disposal except in accordance with that section or subsection (5) above.
  - (10) In this section—

“1982 holding” has the same meaning as in section 109;

“securities” means any securities within the meaning of section 104 or any relevant securities within the meaning of section 108.
  - (11) For the purposes of this section securities of a company shall not be treated as being of the same class unless they are so treated by the practice of a recognised stock exchange, or would be so treated if dealt with on that recognised stock exchange.”
- (2) In subsection (1) of section 105 of that Act (disposal and acquisition on the same day), for “The following provisions” there shall be substituted “ Paragraphs (a) and (b) below ”; and for subsection (2) of that section there shall be substituted the following subsection—
- “(2) Where the quantity of securities disposed of by any person exceeds the aggregate quantity of—

*Status: Point in time view as at 01/11/2008.*

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- (a) the securities (if any) which are required by subsection (1) above to be identified with securities acquired on the day of the disposal,
  - (b) the securities (if any) which are required by any of the provisions of section 106 or 106A(5) to be identified with securities acquired after the day of the disposal, and
  - (c) the securities (if any) which are required by any of the provisions of sections 104, 106, 106A or 107, or of Schedule 2, to be identified with securities acquired before the day of the disposal,
- the disposal shall be treated as diminishing a quantity of securities subsequently acquired, and as so diminishing any quantity so acquired at an earlier date, rather than one so acquired at a later date.”
- (3) In section 107 of that Act (general identification rules) for subsections (1) and (2) there shall be substituted the following subsections—
- “(1) This section has effect for the purposes of corporation tax where any securities are disposed of by a company.
  - (1A) The securities disposed of shall be identified in accordance with the following provisions of this section with securities of the same class that have been acquired by the company making the disposal and could be comprised in that disposal.
  - (2) The provisions of this section have effect in the case of any disposal notwithstanding that some or all of the securities disposed of are otherwise identified—
    - (a) by the disposal, or
    - (b) by a transfer or delivery giving effect to it;
 but where a company disposes of securities in one capacity, they shall not be identified with securities which it holds, or can dispose of, only in some other capacity.”
- (4) In section 108 of that Act (relevant securities), at the beginning there shall be inserted the following subsection—
- “(A1) This section has effect for the purposes of corporation tax where any relevant securities are disposed of by a company.”
- (5) In that section—
- (a) in subsections (2) and (7), for “person”, in each place where it occurs, there shall be substituted “ company ”; and
  - (b) in subsection (2), for “him” and “he” there shall be substituted, respectively, “ the company ” and “ it ”.
- (6) In each of section 151B(1) and (7) of that Act and paragraph 4(2) of Schedule 5C to that Act (disapplication of share pooling and identification rules in relation to shares in a VCT), for “107” there shall be substituted “ 106A ”.
- (7) Subject to subsection (8) below, the preceding provisions of this section have effect in relation to any disposal on or after 6th April 1998.
- (8) For the purposes of capital gains tax for the year 1997-98 (but not for the purposes of corporation tax), the following provisions have effect in relation to any disposal of securities made on or after 17th March 1998 and before 6th April 1998, that is to say—

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- (a) the identification rule in subsection (5) of the section 106A of the <sup>M69</sup>Taxation of Chargeable Gains Act 1992 set out in subsection (1) above shall apply in accordance with subsections (3) and (4) of that section;
  - (b) that rule shall have priority over any other rule, except the one in section 105(1) of that Act; and
  - (c) section 104(1) of that Act shall not apply to any securities identified by virtue of this subsection with the securities disposed of.
- (9) In subsection (8) above “securities” means any securities within the meaning of section 104 of the <sup>M70</sup>Taxation of Chargeable Gains Act 1992 or any relevant securities within the meaning of section 108 of that Act.

**Marginal Citations**

- M68** 1992 c. 12.
- M69** 1992 c.12.
- M70** 1992 c. 12.

**125 Indexation and share pooling etc.**

- (1) In subsection (1) of section 110 of the <sup>M71</sup>Taxation of Chargeable Gains Act 1992 (indexation allowance for section 104 holdings), for “This” there shall be substituted “ For the purposes of corporation tax this ”.
- <sup>F100</sup>(2) .....
- <sup>F101</sup>(3) .....
- (4) Subject to subsection (5) below, the preceding provisions of this section have effect in relation to disposals on or after 6th April 1998.
- (5) This section does not affect the computation of the amount of so much of any gain as—
- (a) is treated for the purposes of the taxation of chargeable gains as having accrued on a disposal on or after 6th April 1998; but
  - (b) is taken for those purposes to be equal to the whole or any part of a gain that—
    - (i) would (but for any enactment relating to the taxation of chargeable gains) have accrued on an actual disposal made before that date, or
    - (ii) would have accrued on a disposal assumed under any such enactment to have been made before that date.

**Textual Amendments**

- F100** S. 125(2) omitted (with effect in accordance with Sch. 2 para. 100 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 96(b)**
- F101** S. 125(3) omitted (with effect in accordance with Sch. 2 para. 100 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 96(b)**

**Marginal Citations**

- M71** 1992 c. 12.

*Status: Point in time view as at 01/11/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 10 July 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)*

### *Stock dividends*

#### **126 Capital gains on stock dividends.**

- (1) For sections 141 and 142 of the <sup>M72</sup>Taxation of Chargeable Gains Act 1992 (stock dividends) there shall be substituted the following section—

**“142 Capital gains on stock dividends.**

- (1) This section applies where any share capital to which section 249 of the Taxes Act applies is issued as mentioned in subsection (4), (5) or (6) of that section in respect of shares in the company held by any person.
- (2) The case shall not constitute a reorganisation of the company’s share capital for the purposes of sections 126 to 128.
- (3) The person who acquires the share capital by means of its issue shall (notwithstanding section 17(1)) be treated for the purposes of section 38(1) (a) as having acquired that asset for a consideration equal to the appropriate amount in cash (within the meaning of section 251(2) to (4) of the Taxes Act).”
- (2) This section applies to any share capital issued on or after 6th April 1998.

**Marginal Citations**

**M72** 1992 c. 12.

### *Non-residents etc.*

#### **127 Charge to CGT on temporary non-residents.**

- (1) After section 10 of the <sup>M73</sup>Taxation of Chargeable Gains Act 1992 there shall be inserted the following section—

**“10A Temporary non-residents.**

- (1) This section applies in the case of any individual (“the taxpayer”) if—
- (a) he satisfies the residence requirements for any year of assessment (“the year of return”);
  - (b) he did not satisfy those requirements for one or more years of assessment immediately preceding the year of return but there are years of assessment before that year for which he did satisfy those requirements;
  - (c) there are fewer than five years of assessment falling between the year of departure and the year of return; and
  - (d) four out of the seven years of assessment immediately preceding the year of departure are also years of assessment for each of which he satisfied those requirements.
- (2) Subject to the following provisions of this section and section 86A, the taxpayer shall be chargeable to capital gains tax as if—

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- (a) all the chargeable gains and losses which (apart from this subsection) would have accrued to him in an intervening year,
  - (b) all the chargeable gains which under section 13 or 86 would be treated as having accrued to him in an intervening year if he had been resident in the United Kingdom throughout that intervening year, and
  - (c) any losses which by virtue of section 13(8) would have been allowable in his case in any intervening year if he had been resident in the United Kingdom throughout that intervening year,were gains or, as the case may be, losses accruing to the taxpayer in the year of return.
- (3) Subject to subsection (4) below, the gains and losses which by virtue of subsection (2) above are to be treated as accruing to the taxpayer in the year of return shall not include any gain or loss accruing on the disposal by the taxpayer of any asset if—
  - (a) that asset was acquired by the taxpayer at a time in the year of departure or any intervening year when he was neither resident nor ordinarily resident in the United Kingdom;
  - (b) that asset was so acquired otherwise than by means of a relevant disposal which by virtue of section 58, 73 or 258(4) is treated as having been a disposal on which neither a gain nor a loss accrued;
  - (c) that asset is not an interest created by or arising under a settlement; and
  - (d) the amount or value of the consideration for the acquisition of that asset by the taxpayer does not fall, by reference to any relevant disposal, to be treated as reduced under section 23(4)(b) or (5)(b), 152(1)(b), 162(3)(b) or 247(2)(b) or (3)(b).
- (4) Where—
  - (a) any chargeable gain that has accrued or would have accrued on the disposal of any asset (“the first asset”) is a gain falling (apart from this section) to be treated by virtue of section 116(10) or (11), 134 or 154(2) or (4) as accruing on the disposal of the whole or any part of another asset, and
  - (b) the other asset is an asset falling within paragraphs (a) to (d) of subsection (3) above but the first asset is not,subsection (3) above shall not exclude that gain from the gains which by virtue of subsection (2) above are to be treated as accruing to the taxpayer in the year of return.
- (5) The gains and losses which by virtue of subsection (2) above are to be treated as accruing to the taxpayer in the year of return shall not include any chargeable gain or allowable loss accruing to the taxpayer in an intervening year which, in the taxpayer’s case, has fallen to be brought into account for that year by virtue of section 10 or 16(3).
- (6) The reference in subsection (2)(c) above to losses allowable in an individual’s case in an intervening year is a reference to only so much of the aggregate of the losses that would have been available in accordance with subsection (8) of section 13 for reducing gains accruing by virtue of that section to that individual in that year as does not exceed the amount of the gains that would

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have accrued to him in that year if it had been a year throughout which he was resident in the United Kingdom.

(7) Where this section applies in the case of any individual, nothing in any enactment imposing any limit on the time within which an assessment to capital gains tax may be made shall prevent any such assessment for the year of departure from being made in the taxpayer's case at any time before the end of two years after the 31st January next following the year of return.

(8) In this section—

“intervening year” means any year of assessment which, in a case where the conditions in paragraphs (a) to (d) of subsection (1) above are satisfied, falls between the year of departure and the year of return;

“relevant disposal”, means a disposal of an asset acquired by the person making the disposal at a time when that person was resident or ordinarily resident in the United Kingdom; and

“the year of departure” means the last year of assessment before the year of return for which the taxpayer satisfied the residence requirements.

(9) For the purposes of this section an individual satisfies the residence requirements for a year of assessment if that year of assessment is one during any part of which he is resident in the United Kingdom or during which he is ordinarily resident in the United Kingdom.

(10) This section is without prejudice to any right to claim relief in accordance with any double taxation relief arrangements.”

(2) In section 9(3) of that Act (exclusion from charge of persons temporarily resident), for “section 10(1)” there shall be substituted “sections 10(1) and 10A”.

(3) In section 96 of that Act (payments by and to companies), after subsection (9) there shall be inserted the following subsections—

“(9A) For the purposes of this section an individual shall be deemed to have been resident in the United Kingdom at any time in any year of assessment which in his case is an intervening year for the purposes of section 10A.

(9B) If—

(a) it appears after the end of any year of assessment that any individual is to be treated by virtue of subsection (9A) above as having been resident in the United Kingdom at any time in that year, and

(b) as a consequence, any adjustments fall to be made to the amounts of tax taken to have been chargeable by virtue of this section on any person,

nothing in any enactment limiting the time for the making of any claim or assessment shall prevent the making of those adjustments (whether by means of an assessment, an amendment of an assessment, a repayment of tax or otherwise).”

(4) This section has effect—

(a) in any case in which the year of departure is the year 1998-99 or a subsequent year of assessment; and



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- (b) in any case in which the year of departure is the year 1997-98 and the taxpayer was resident or ordinarily resident in the United Kingdom at a time in that year on or after 17th March 1998.

**Marginal Citations**

M73 1992 c. 12.

**128 Disposal of interests in a settlement.**

- (1) In section 76 of the <sup>M74</sup>Taxation of Chargeable Gains Act 1992 (disposal of interests in settled property)—
  - (a) in subsection (1), at the beginning there shall be inserted “Subject to subsection (1A) below”;
  - (b) after that subsection there shall be inserted the subsections set out in subsection (2) below; and
  - (c) after subsection (2) there shall be inserted the subsection set out in subsection (3) below.
- (2) The subsections inserted after subsection (1) are as follows—
  - “(1A) Subject to subsection (3) below, subsection (1) above does not apply if—
    - (a) the settlement falls within subsection (1B) below; or
    - (b) the property comprised in the settlement is or includes property deriving directly or indirectly from a settlement falling within that subsection.
  - (1B) A settlement falls within this subsection if there has been a time when the trustees of that settlement—
    - (a) were not resident or ordinarily resident in the United Kingdom; or
    - (b) fell to be regarded for the purposes of any double taxation relief arrangements as resident in a territory outside the United Kingdom.”
- (3) The subsection inserted after subsection (2) is as follows—
  - “(3) Subsection (1A) above shall not prevent subsection (1) above from applying where the disposal in question is a disposal in consideration of obtaining settled property that is treated as made under subsection (2) above.”
- (4) This section has effect in relation to any disposal on or after 6th March 1998.

**Marginal Citations**

M74 1992 c. 12.

**129 Attribution of gains to settlor in section 10A cases.**

- (1) After section 86 of the <sup>M75</sup>Taxation of Chargeable Gains Act 1992 there shall be inserted the following section—

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**“86A Attribution of gains to settlor in section 10A cases.**

- (1) Subsection (2) below applies in the case of a person who is a settlor in relation to any settlement (“the relevant settlement”) where—
  - (a) by virtue of section 10A, amounts falling within section 86(1)(e) for any intervening year or years would (apart from this section) be treated as accruing to the settlor in the year of return; and
  - (b) there is an excess of the relevant chargeable amounts for the non-residence period over the amount of the section 87 pool at the end of the year of departure.
- (2) Only so much (if any) of—
  - (a) the amount falling within section 86(1)(e) for the intervening year, or
  - (b) if there is more than one intervening year, the aggregate of the amounts falling within section 86(1)(e) for those years,
 as exceeds the amount of the excess mentioned in subsection (1)(b) above shall fall in accordance with section 10A to be attributed to the settlor for the year of return.
- (3) In subsection (1) above, the reference to the relevant chargeable amounts for the non-residence period is (subject to subsection (5) below) a reference to the aggregate of the amounts on which beneficiaries of the relevant settlement are charged to tax under section 87 or 89(2) for the intervening year or years in respect of any capital payments received by them.
- (4) In subsection (1) above, the reference to the section 87 pool at the end of the year of departure is (subject to subsection (5) below) a reference to the amount (if any) which, in accordance with subsection (2) of that section, fell in relation to the relevant settlement to be carried forward from the year of departure to be included in the amount of the trust gains for the year of assessment immediately following the year of departure.
- (5) Where the property comprised in the relevant settlement has at any time included property not originating from the settlor, only so much (if any) of any capital payment or amount carried forward in accordance with section 87(2) as, on a just and reasonable apportionment, is properly referable to property originating from the settlor shall be taken into account for the purposes of subsections (3) and (4) above.
- (6) Where any reduction falls to be made by virtue of subsection (2) above in any amount to be attributed in accordance with section 10A to any settlor for any year of assessment, the reduction to be treated as made for that year in accordance with section 87(3) in the case of the settlement in question shall not be made until—
  - (a) the reduction (if any) falling to be made by virtue of that subsection has been made in the case of every settlor to whom any amount is so attributed; and
  - (b) effect has been given to any reduction required to be made under subsection (7) below.
- (7) Where in the case of any settlement there is (after the making of any reduction or reductions in accordance with subsection (2) above) any amount or amounts

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falling in accordance with section 10A to be attributed for any year of assessment to settlors of the settlement, the amount or (as the case may be) aggregate amount falling in accordance with that section to be so attributed shall be applied in reducing the amount carried forward to that year in accordance with section 87(2).

(8) Where an amount or aggregate amount has been applied, in accordance with subsection (7) above, in reducing the amount which in the case of any settlement is carried forward to any year in accordance with section 87(2), that amount (or, as the case may be, so much of it as does not exceed the amount which it is applied in reducing) shall be deducted from the amount used for that year for making the reduction under section 87(3) in the case of that settlement.

(9) Expressions used in this section and section 10A have the same meanings in this section as in that section; and paragraph 8 of Schedule 5 shall apply for the construction of the references in subsection (5) above to property originating from the settlor as it applies for the purposes of that Schedule.”

(2) In section 97(1) to (5), (7) and (8) of that Act (interpretation of sections 87 to 96), for the words “sections 87”, wherever occurring, there shall be substituted “ sections 86A ”.

(3) This section has effect where the year of departure is the year 1997-98 or any subsequent year of assessment.

#### Marginal Citations

M75 1992 c. 12.

### 130 Charge on beneficiaries of settlements with non-resident settlors.

<sup>F102</sup>(1) .....

(2) In subsection (1) of section 88 of that Act (charge on beneficiaries of a settlement treated as resident outside the United Kingdom if the settlor is or has been domiciled and resident in the United Kingdom)—

- (a) the word “and” shall be inserted at the end of paragraph (a); and
- (b) paragraph (c) and the word “and” immediately preceding it shall be omitted.

(3) Subject to subsection (4) below, the preceding provisions of this section apply for the year 1998-99 and subsequent years of assessment and shall be deemed to have applied for the year 1997-98.

<sup>F103</sup>(4) .....

#### Textual Amendments

**F102** S. 130(1) omitted (with effect in accordance with Sch. 7 para. 115 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 7 para. 114(a)**

**F103** S. 130(4) omitted (with effect in accordance with Sch. 7 para. 115 to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 7 para. 114(a)**

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### 131 Charge on settlors of settlements for grandchildren.

- (1) In paragraph 2 of Schedule 5 to the <sup>M76</sup>Taxation of Chargeable Gains Act 1992 (test whether settlor has interest)—
  - (a) after sub-paragraph (3)(d) there shall be inserted the following paragraphs—
    - “(da) any grandchild of the settlor or of the settlor’s spouse;
    - (db) the spouse of any such grandchild;”
  - (b) in sub-paragraph (3)(e), for “(d)” there shall be substituted “ (db) ”.
- (2) For sub-paragraph (7) of that paragraph, there shall be substituted the following sub-paragraph—
 

“(7) In this paragraph—  
     “child” includes a stepchild; and  
     “grandchild” means a child of a child.”
- (3) Schedule 22 to this Act (which makes transitional provision and consequential amendments in connection with the provisions of this section) shall have effect.
- (4) The preceding provisions of this section and Schedule 22 to this Act apply for the year 1998-99 and subsequent years of assessment and shall be deemed to have applied for the year 1997-98.

#### Marginal Citations

M76 1992 c. 12.

### 132 Charge on settlors of pre-19th March 1991 settlements.

- (1) In paragraph 9 of Schedule 5 to the <sup>M77</sup>Taxation of Chargeable Gains Act 1992 (which sets out when a settlement is a qualifying settlement for the purposes of the attribution of gains to the settlor), after sub-paragraph (1) there shall be inserted the following sub-paragraphs—
  - “(1A) Subject to sub-paragraph (1B) below, a settlement created before 19th March 1991 is a qualifying settlement for the purposes of section 86 and this Schedule in—
    - (a) the year 1999-00, and
    - (b) subsequent years of assessment.
  - (1B) Where a settlement created before 19th March 1991 is a protected settlement immediately after the beginning of 6th April 1999, that settlement shall be treated as a qualifying settlement for the purposes of section 86 and this Schedule in a year of assessment mentioned in sub-paragraph (1A)(a) or (b) above only if—
    - (a) any of the five conditions set out in subsections (3) to (6A) below becomes fulfilled as regards the settlement in that year; or
    - (b) any of those five conditions became so fulfilled in any previous year of assessment ending after 19th March 1991.”
- (2) Sub-paragraph (2) of that paragraph shall not have effect for the purpose of determining whether any settlement is a qualifying settlement in the year 1999-00 or any subsequent year of assessment.

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*Status: Point in time view as at 01/11/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 10 July 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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- (3) After sub-paragraph (6) of that paragraph there shall be inserted the following sub-paragraph—

“(6A) The fifth condition is that the settlement ceases to be a protected settlement at any time on or after 6th April 1999.”

- (4) After sub-paragraph (10) of that paragraph there shall be inserted the following sub-paragraphs—

“(10A) Subject to sub-paragraph (10B) below, a settlement is a protected settlement at any time in a year of assessment if at that time the beneficiaries of that settlement are confined to persons falling within some or all of the following descriptions, that is to say—

- (a) children of a settlor or of a spouse of a settlor who are under the age of eighteen at that time or who were under that age at the end of the immediately preceding year of assessment;
- (b) unborn children of a settlor, of a spouse of a settlor, or of a future spouse of a settlor;
- (c) future spouses of any children or future children of a settlor, a spouse of a settlor or any future spouse of a settlor;
- (d) a future spouse of a settlor;
- (e) persons outside the defined categories.

(10B) For the purposes of sub-paragraph (10A) above a person is outside the defined categories at any time if, and only if, there is no settlor by reference to whom he is at that time a defined person in relation to the settlement for the purposes of paragraph 2(1) above.

(10C) For the purposes of sub-paragraph (10A) above a person is a beneficiary of a settlement if—

- (a) there are any circumstances whatever in which relevant property which is or may become comprised in the settlement is or will or may become applicable for his benefit or payable to him;
- (b) there are any circumstances whatever in which relevant income which arises or may arise under the settlement is or will or may become applicable for his benefit or payable to him;
- (c) he enjoys a benefit directly or indirectly from any relevant property comprised in the settlement or any relevant income arising under the settlement.

(10D) In sub-paragraph (10C) above—

“relevant property” means property originating from a settlor; and  
“relevant income” means income originating from a settlor.”

- (5) In construing section 86(1)(e) of the <sup>M78</sup>Taxation of Chargeable Gains Act 1992 (which specifies the amount by reference to which a charge arises under that section) as regards a particular year of assessment and in relation to a settlement created before 19th March 1991 which—

- (a) is a qualifying settlement in the year 1999-00, but
- (b) was not a qualifying settlement in any earlier year of assessment,

no account shall be taken of disposals made before 6th April 1999 (whether for the purpose of arriving at gains or for the purpose of arriving at losses).

*Status: Point in time view as at 01/11/2008.*

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- (6) Schedule 23 (which makes transitional provision in connection with the coming into force of this section) shall have effect.

**Marginal Citations**

**M77** 1992 c. 12.

**M78** 1992 c. 12.

*Groups of companies etc.*

**133 Transfer within group to investment trust.**

- (1) After section 101 of the <sup>M79</sup>Taxation of Chargeable Gains Act 1992, there shall be inserted the following section—

**“101A Transfer within group to investment trust.**

- (1) This section applies where—
- (a) an asset has been disposed of to a company (the “acquiring company”) and the disposal has been treated by virtue of section 171(1) as giving rise to neither a gain nor a loss,
  - (b) at the time of the disposal the acquiring company was not an investment trust, and
  - (c) the conditions set out in subsection (2) below are satisfied by the acquiring company.
- (2) Those conditions are satisfied by the acquiring company if—
- (a) it becomes an investment trust for an accounting period beginning not more than 6 years after the time of the disposal,
  - (b) at the beginning of that accounting period, it owns, otherwise than as trading stock—
    - (i) the asset, or
    - (ii) property to which a chargeable gain has been carried forward from the asset on a replacement of business assets,
  - (c) it has not been an investment trust for any earlier accounting period beginning after the time of the disposal, and
  - (d) at the time at which it becomes an investment trust, there has not been an event by virtue of which it falls by virtue of section 179(3) or 101C(3) to be treated as having sold, and immediately reacquired, the asset at the time specified in subsection (3) below.
- (3) The acquiring company shall be treated for all the purposes of this Act as if immediately after the disposal it had sold, and immediately reacquired, the asset at its market value at that time.
- (4) Any chargeable gain or allowable loss which, apart from this subsection, would accrue to the acquiring company on the sale referred to in subsection (3) above shall be treated as accruing to it immediately before the end of the last accounting period to end before the beginning of the accounting period for which the acquiring company becomes an investment trust.

*Status: Point in time view as at 01/11/2008.*

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- (5) For the purposes of this section a chargeable gain is carried forward from an asset to other property on a replacement of business assets if—
- by one or more claims under sections 152 to 158, the chargeable gain accruing on a disposal of the asset is reduced, and
  - as a result an amount falls to be deducted from the expenditure allowable in computing a gain accruing on the disposal of the other property.
- (6) For the purposes of this section an asset acquired by the acquiring company shall be treated as the same as an asset owned by it at a later time if the value of the second asset is derived in whole or in part from the first asset; and, in particular, assets shall be so treated where—
- the second asset is a freehold and the first asset was a leasehold; and
  - the lessee has acquired the reversion.
- (7) Where under this section a company is to be treated as having disposed of and reacquired an asset—
- all such recomputations of liability in respect of other disposals, and
  - all such adjustments of tax, whether by way of assessment or by way of discharge or repayment of tax,
- as may be required in consequence of the provisions of this section shall be carried out.
- (8) Notwithstanding any limitation on the time for making assessments, any assessment to corporation tax chargeable in consequence of this section may be made at any time within 6 years after the end of the accounting period referred to in subsection (2)(a) above.”
- (2) In section 179 of that Act (company ceasing to be a member of a group), after subsection (2B) there shall be inserted the following subsection—
- “(2C) This section shall not have effect as respects any asset if, before the time when the chargeable company ceases to be a member of the group or, as the case may be, the second group, an event has already occurred by virtue of which the company falls by virtue of section 101A(3) to be treated as having sold and immediately reacquired the asset at the time specified in subsection (3) below.”
- (3) Subsections (1) and (2) above apply to any company which becomes an investment trust for an accounting period beginning on or after 17th March 1998.

#### **Marginal Citations**

**M79** 1992 c. 12.

### **134 Transfer of company’s assets to venture capital trust.**

- (1) In subsection (4) of section 139 of the <sup>M80</sup>Taxation of Chargeable Gains Act 1992 (reconstruction or amalgamation involving transfer of a business), after “investment trust” there shall be inserted “ or a venture capital trust. ”

*Status: Point in time view as at 01/11/2008.*

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- (2) After the section 101A of that Act inserted by section 133 above there shall be inserted the following section—

**“101B Transfer of company’s assets to venture capital trust.**

- (1) Where section 139 has applied on the transfer of a company’s business (in whole or in part) to a company which at the time of the transfer was not a venture capital trust, then if—
- (a) at any time after the transfer the company becomes a venture capital trust by virtue of an approval for the purposes of section 842AA of the Taxes Act; and
  - (b) at the time as from which the approval has effect the company still owns any of the assets of the business transferred,
- the company shall be treated for all the purposes of this Act as if immediately after the transfer it had sold, and immediately reacquired, the assets referred to in paragraph (b) above at their market value at that time.
- (2) Any chargeable gain or allowable loss which, apart from this subsection, would accrue to the company on the sale referred to in subsection (1) above shall be treated as accruing to the company immediately before the time mentioned in subsection (1)(b) above.
- (3) This section does not apply if at the time mentioned in subsection (1)(b) above there has been an event by virtue of which the company falls by virtue of section 101(1) to be treated as having sold, and immediately reacquired, the assets immediately after the transfer referred to in subsection (1) above.
- (4) Notwithstanding any limitation on the time for making assessments, any assessment to corporation tax chargeable in consequence of this section may, in a case in which the approval mentioned in subsection (1)(a) above has effect as from the beginning of an accounting period, be made at any time within 6 years after the end of that accounting period.
- (5) Where under this section a company is to be treated as having disposed of, and reacquired, an asset of a business, all such recomputations of liability in respect of other disposals and all such adjustments of tax, whether by way of assessment or by way of discharge or repayment of tax, as may be required in consequence of the provisions of this section shall be carried out.”

- (3) After subsection (1A) of section 101 of that Act there shall be inserted the following subsection—

“(1B) This section does not apply if at the time at which the company becomes an investment trust there has been an event by virtue of which it falls by virtue of section 101B(1) to be treated as having sold, and immediately reacquired, the assets immediately after the transfer referred to in subsection (1) above.”

- (4) Subsection (1) above applies to transfers made on or after 17th March 1998.
- (5) Subsections (2) and (3) above apply to a company in respect of which an approval for the purposes of [F104Part 6 of the Income Tax Act 2007] (venture capital trusts) has effect as from a time falling on or after 17th March 1998.



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#### Textual Amendments

**F104** Words in s. 134(5) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 382](#) (with [Sch. 2](#))

#### Marginal Citations

**M80** [1992 c. 12.](#)

### 135 Transfer within group to venture capital trust.

(1) In section 171 of the <sup>M81</sup>Taxation of Chargeable Gains Act 1992 (transfers within a group), after the word “or” at the end of paragraph (c) of subsection (2) there shall be inserted the following paragraph—

“(cc) a disposal by or to a venture capital trust; or”

(2) After the section 101B of that Act inserted by section 134 above there shall be inserted the following section—

#### “101C Transfer within group to venture capital trust.

(1) This section applies where—

- (a) an asset has been disposed of to a company (the “acquiring company”) and the disposal has been treated by virtue of section 171(1) as giving rise to neither a gain nor a loss,
- (b) at the time of the disposal the acquiring company was not a venture capital trust, and
- (c) the conditions set out in subsection (2) below are satisfied by the acquiring company.

(2) Those conditions are satisfied by the acquiring company if—

- (a) it becomes a venture capital trust by virtue of an approval having effect as from a time (the “time of approval”) not more than 6 years after the time of the disposal,
- (b) at the time of approval the company owns, otherwise than as trading stock—
  - (i) the asset, or
  - (ii) property to which a chargeable gain has been carried forward from the asset on a replacement of business assets,
- (c) it has not been a venture capital trust at any earlier time since the time of the disposal, and
- (d) at the time of approval, there has not been an event by virtue of which it falls by virtue of section 179(3) or 101A(3) to be treated as having sold, and immediately reacquired, the asset at the time specified in subsection (3) below.

(3) The acquiring company shall be treated for all the purposes of this Act as if immediately after the disposal it had sold, and immediately reacquired, the asset at its market value at that time.

(4) Any chargeable gain or allowable loss which, apart from this subsection, would accrue to the acquiring company on the sale referred to in subsection (3)

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above shall be treated as accruing to it immediately before the time of approval.

- (5) Subsections (5) to (7) of section 101A apply for the purposes of this section as they apply for the purposes of that section.
- (6) Notwithstanding any limitation on the time for making assessments, any assessment to corporation tax chargeable in consequence of this section may, in a case in which the time of approval is the time at which an accounting period of the company begins, be made at any time within 6 years after the end of that accounting period.
- (7) Any reference in this section to an approval is a reference to an approval for the purposes of section 842AA of the Taxes Act.”
- (3) In section 179 of that Act (company ceasing to be a member of a group), after the subsection (2C) inserted by section 133 above there shall be inserted the following subsection—
- “(2D) This section shall not have effect as respects any asset if, before the time when the chargeable company ceases to be a member of the group or, as the case may be, the second group, an event has already occurred by virtue of which the company falls by virtue of section 101C(3) to be treated as having sold and immediately reacquired the asset at the time specified in subsection (3) below.”
- (4) Subsection (1) above applies to disposals made on or after 17th March 1998.
- (5) Subsections (2) and (3) above apply to a company in respect of which an approval for the purposes of [F105Part 6 of the Income Tax Act 2007] (venture capital trusts) has effect as from a time falling on or after 17th March 1998.

#### Textual Amendments

**F105** Words in s. 135(5) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 383](#) (with [Sch. 2](#))

#### Marginal Citations

**M81** [1992 c. 12](#).

### 136 Incorporated friendly societies.

- (1) In section 170(9) of the <sup>M82</sup>Taxation of Chargeable Gains Act 1992 (meaning of “company” in sections 170 to 181), after the word “and” at the end of paragraph (c) there shall be inserted the following paragraph—
- “(cc) an incorporated friendly society within the meaning of the <sup>M83</sup>Friendly Societies Act 1992; and”.
- (2) In subsection (2) of section 171 of that Act (transfers within a group), after the word “or” at the end of the paragraph (cc) inserted by section 135 above there shall be inserted the following paragraph—
- “(cd) a disposal by or to a qualifying friendly society; or”
- (3) After subsection (4) of that section there shall be inserted the following subsection—

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“(5) In subsection (2)(cd) above “qualifying friendly society” means a company which is a qualifying society for the purposes of section 461B of the Taxes Act (incorporated friendly societies entitled to exemption from income tax and corporation tax on certain profits).”

(4) Subsection (1) above applies for the purpose of determining, in relation to times on and after 17th March 1998, whether a friendly society is a company within the meaning of the provisions of sections 170 to 181 of the <sup>M84</sup>Taxation of Chargeable Gains Act 1992.

(5) Subsections (2) and (3) above apply in relation to disposals made on or after 17th March 1998.

#### Marginal Citations

**M82** 1992 c. 12.

**M83** 1992 c. 40.

**M84** 1992 c. 12.

### 137 Pre-entry gains.

**F106**(1) . . . . .

**F107**(2) . . . . .

(3) In subsection (3) of section 213 of that Act (carry back of losses in respect of deemed annual disposal by insurance companies)—

(a) at the beginning there shall be inserted “Subject to subsection (3A) below,”; and

(b) for the “and” at the end of paragraph (c) there shall be substituted—

“(ca) none of the intervening accounting periods is an accounting period in which the company joined a group of companies, and”.

**F108**(4) . . . . .

**F109**(5) . . . . .

(6) Subsection (3) above has effect in relation to any intervening period ending on or after 17th March 1998.

**F110**(7) . . . . .

#### Textual Amendments

**F106** S. 137(1) repealed (with effect in accordance with Sch. 26 Pt. 3(9) Note 1 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(9\)](#)

**F107** S. 137(2) repealed (with effect in accordance with Sch. 26 Pt. 3(9) Note 1 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(9\)](#)

**F108** S. 137(4) repealed (with effect in accordance with Sch. 43 Pt. 3(12) Note 8 of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 43 Pt. 3\(12\)](#)

**F109** S. 137(5) repealed (with effect in accordance with Sch. 26 Pt. 3(9) Note 1 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(9\)](#)

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**F110** S. 137(7) repealed (with effect in accordance with Sch. 43 Pt. 3(12) Note 8 of the amending Act) by Finance Act 2003 (c. 14), **Sch. 43 Pt. 3(12)**

### 138 Pre-entry losses.

- (1) In paragraph 9(6) of Schedule 7A to the <sup>M85</sup>Taxation of Chargeable Gains Act 1992 (separate application of provisions relating to pre-entry losses in relation to different groups), for “for the purposes of this paragraph as the same group if” there shall be substituted “in relation to any company that is or has become a member of the second group (“the relevant company”) as the same group for the purposes of this paragraph if—
- (a) the time at which the relevant company became a member of the first group is a time in the same accounting period as that in which the principal company of the first group became a member of the second group; or
  - (b)”.
- (2) This section has effect in relation to any accounting period ending on or after 17th March 1998.

#### Marginal Citations

**M85** 1992 c. 12.

### 139 De-grouping charges.

- (1) In section 179(2B) of the <sup>M86</sup>Taxation of Chargeable Gains Act 1992 (cases where there is a connection between groups successively left by a company)—
- (a) in paragraph (b), for the words from “company which” to “its” there shall be substituted “ person or persons who control the company mentioned in paragraph (a) above or who have had it under their ”;
  - (b) in paragraph (c), for the words from “company which has” to “its” there shall be substituted “ person or persons who have, at any time in that period, had under their ”; and
  - (c) in that paragraph, for “fallen”, wherever it occurs, there shall be substituted “ been a person falling ”.
- (2) Subsection (1) above has effect in relation to a company in any case in which the time of the company’s ceasing to be a member of the second group is on or after 17th March 1998.

#### Marginal Citations

**M86** 1992 c. 12.

*Status: Point in time view as at 01/11/2008.*

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*Abolition of reliefs*

**140 Phasing out of retirement relief.**

- (1) In Schedule 6 to the <sup>M87</sup>Taxation of Chargeable Gains Act 1992 (retirement relief etc.), paragraph 13(1) (amount available for relief: basic rule) shall have effect, in relation to qualifying disposals in a year of assessment specified in the first column of the following Table, as if—
- (a) for the references to £250,000 there were substituted references to the amount specified in the second column of that Table; and
  - (b) for the reference to £1 million there were substituted a reference to the amount specified in the third column of that Table.

TABLE

<i>Year</i>	<i>£250,000</i>	<i>£1 million</i>
1999-00	£200,000	£800,000
2000-01	£150,000	£600,000
2001-02	£100,000	£400,000
2002-03	£50,000	£200,000

- (2) The following provisions, namely—
- (a) section 163 of that Act (relief for disposals by individuals on retirement from family business),
  - (b) section 164 of that Act (other retirement relief), and
  - (c) Schedule 6 to that Act,
- shall cease to have effect in relation to disposals in the year 2003-04 and subsequent years of assessment.
- (3) In section 157 of that Act (trade carried on by family company), for the words “within the meaning of Schedule 6” there shall be substituted the words “that is to say, a company the voting rights in which are exercisable, as to not less than 5 per cent., by him”.
- (4) In subsection (8) of section 165 of that Act (relief for gifts of business assets), for paragraph (a) there shall be substituted the following paragraphs—
- “(a) “personal company”, in relation to an individual, means a company the voting rights in which are exercisable, as to not less than 5 per cent., by that individual;
  - (aa) “holding company”, “trading company” and “trading group” have the meanings given by paragraph 22 of Schedule A1; and”.

<sup>F111</sup>(5) .....

- (6) Subsections (3) to (5) above have effect in relation to the year 2003-04 and subsequent years of assessment.

*Status: Point in time view as at 01/11/2008.*

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**Textual Amendments**

**F111** S. 140(5) omitted (with effect in accordance with Sch. 2 para. 56(3) to the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 55(a)(ii)**

**Marginal Citations**

**M87** 1992 c. 12.

**141 Abolition of certain other CGT reliefs.**

- (1) The following provisions of the <sup>M88</sup>Taxation of Chargeable Gains Act 1992 shall cease to have effect, namely—
- (a) Chapter IA of Part V (roll-over relief on re-investment); and
  - (b) sections 254 and 255 (relief for debts on qualifying corporate bonds).
- (2) In subsection (1) above—
- (a) paragraph (a) has effect in relation to acquisitions made on or after 6th April 1998; and
  - (b) paragraph (b) has effect in relation to loans made on or after 17th March 1998.

**Marginal Citations**

**M88** 1992 c. 12.

**PART IV**

INHERITANCE TAX ETC.

**142 Property of historic interest etc.**

Schedule 25 to this Act (which makes provision about the designation of property of historic interest, etc. and about undertakings in relation to such property) shall have effect.

**143 Removal of exemption for gifts for public benefit.**

- (1) Section 26 of the <sup>M89</sup>Inheritance Tax Act 1984 (gifts for public benefit) shall not apply to any transfer of value made on or after 17th March 1998.
- (2) Accordingly, in that Act, in relation to any transfer of value made on or after 17th March 1998—
- (a) in sections 23(5) and 29A(6) (gifts to charities and abatement of exemptions), for the words “25 or 26”, in each place where they occur, there shall be substituted “ or 25 ”; and
  - (b) in section 29(5) (exemptions in loan cases), for “to 26”, “25 or 26” and “25(2) and 26(7)” there shall be substituted, respectively, “ to 25 ”, “ or 25 ” and “ and 25(2) ”.

*Status: Point in time view as at 01/11/2008.*

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- (3) In relation to any property becoming the property of any person on or after 17th March 1998, in section 56(4) and (7) of that Act (exclusion of exemptions in relation to the acquisition of reversionary interests), for the words “to 26”, in each place where they occur, there shall be substituted “to 25”.
- (4) In section 76 of that Act (tax not charged on property becoming property held for charitable purposes etc.)—
  - (a) paragraph (d) of subsection (1) and subsection (2) shall cease to have effect, and the word “or” shall be inserted at the end of paragraph (b) of subsection (1);
  - (b) in subsection (3), for “to (d)” there shall be substituted “to (c)”; and
  - (c) in subsections (6) and (8), for the words “(c) or (d)”, in each place where they occur, there shall be substituted “or (c)”.
- (5) Subsection (4) above has effect in relation to property which ceases to be relevant property, or to be property to which any of sections 70 to 74 of the <sup>M90</sup>Inheritance Tax Act 1984 or paragraph 8 of Schedule 4 to that Act applies, on or after 17th March 1998.
- (6) In relation to any property becoming the property of a body on a transfer of value made on or after 17th March 1998, in section 161(2)(b) of that Act (related property), for “25 or 26” there shall be substituted “or 25”.
- (7) In relation to any disposal on or after 17th March 1998, in section 258(2) of the <sup>M91</sup>Taxation of Chargeable Gains Act 1992 (gains on disposal of works of art etc.), in paragraph (a), for “1984 Act” there shall be substituted “Inheritance Tax Act 1984 (“the 1984 Act)”.

#### Marginal Citations

- M89** 1984 c. 51.  
**M90** 1984 c. 51.  
**M91** 1992 c. 12.

#### 144 Maintenance funds for historic buildings, etc.

- (1) In section 27 of the <sup>M92</sup>Inheritance Tax Act 1984 (exemption for transfers into maintenance funds for historic buildings etc.), at the beginning of subsection (1) there shall be inserted “Subject to subsection (1A) below,” and after that subsection there shall be inserted the following subsection—

“(1A) Subsection (1) above does not apply in the case of a direction given after the time of the transfer unless the claim for the direction (if it is not made before that time) is made no more than two years after the date of that transfer, or within such longer period as the Board may allow.”
- (2) This section has effect in relation to transfers of value made on or after 17th March 1998.

#### Marginal Citations

- M92** 1984 c. 51.

*Status: Point in time view as at 01/11/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 10 July 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)*

**F112 145 Accounting for property accepted in satisfaction of tax.**

**Textual Amendments**

**F112** S. 145 repealed (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), Sch. 4 para. 67, Sch. 5; S.I. 2005/1126, art. 2(2)(h)(i)

**PART V**

OTHER TAXES

*Insurance premium tax*

**146 Travel insurance: higher rate tax.**

- (1) Schedule 6A to the <sup>M93</sup>Finance Act 1994 (premiums liable to tax at the higher rate) shall be amended as follows.
- (2) For paragraph 4 (travel insurance) there shall be substituted—

“4 **Travel insurance**

- (1) A premium under a taxable insurance contract falls within this paragraph if it is in respect of the provision of cover against travel risks for a person travelling.
- (2) Where—
  - (a) a contract of insurance provides cover against both travel risks and risks other than travel risks,
  - (b) the premium attributable to the cover against travel risks does not exceed 10 per cent. of the total premium payable under the contract, and
  - (c) the contract does not provide cover for a person travelling against travel risks falling within two or more of the paragraphs of sub-paragraph (3) below,
 the premium, so far as attributable to the cover against travel risks, does not fall within this paragraph by virtue of sub-paragraph (1) above.
- (3) The travel risks mentioned in sub-paragraph (2)(c) above are—
  - (a) liability in respect of cancellation of travel or of accommodation arranged in connection with travel;
  - (b) delayed or missed departure;
  - (c) curtailment of travel or of the use of accommodation arranged in connection with travel;
  - (d) loss or delayed arrival of baggage;
  - (e) personal injury or illness or expenses of repatriation.



*Status: Point in time view as at 01/11/2008.*

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- (4) A premium does not fall within this paragraph by virtue of sub-paragraph (1) above if it is payable under a taxable insurance contract relating to a motor vehicle and is attributable to cover of the kind generally known as—
- (a) fully comprehensive,
  - (b) third party, fire and theft,
  - (c) third party, or
  - (d) roadside assistance,
- or if it is payable under a taxable insurance contract relating to a caravan, boat or aircraft and is attributable to cover of a description broadly corresponding to any of those set out in paragraphs (a) to (d) above (so far as applicable) provided in respect of the caravan, boat or aircraft for a period of at least one month for the person travelling.
- (5) In this paragraph—
- “person travelling” includes a person intending to travel;
  - “travel risks” means risks associated with, or related to, travel or intended travel—
    - (a) outside the United Kingdom,
    - (b) by air within the United Kingdom,
    - (c) within the United Kingdom in connection with travel falling within paragraph (a) or (b) above, or
    - (d) which involves absence from home for at least one night,or risks to which a person travelling may be exposed during, or at any place at which he may be in the course of, any such travel.”
- (3) Except as provided by subsection (4) below, subsections (1) and (2) above have effect in relation to a premium which falls to be regarded for the purposes of Part III of the Finance Act 1994 as received under a taxable insurance contract by an insurer on or after 1st August 1998.
- (4) Subsections (1) and (2) above do not have effect in relation to a premium if the premium—
- (a) is in respect of a contract made before 1st August 1998; and
  - (b) falls, by virtue of regulations under section 68 of the <sup>M94</sup>Finance Act 1994 (special accounting scheme), to be regarded for the purposes of Part III of that Act as received under the contract by the insurer on a date before 1st February 1999.
- (5) In the application of sections 67A to 67C of the <sup>M95</sup>Finance Act 1994 in relation to the increase in insurance premium tax effected by this section and the exception from that increase—
- (a) the announcement relating to that increase, as described in section 67A(1), and to that exception, as described in section 67B(1), shall be taken to have been made on 17th March 1998;
  - (b) “the date of the change” is 1st August 1998; and
  - (c) “the concessionary date” is 1st February 1999.

#### Marginal Citations

M93 1994 c. 9.

*Status: Point in time view as at 01/11/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 10 July 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)*

**M94** 1994 c. 9.

**M95** 1994 c. 9.

## 147 Taxable intermediaries.

- (1) Section 52A of the <sup>M96</sup>Finance Act 1994 (certain fees to be treated as premiums under higher rate contracts) shall be amended as follows.
- (2) In subsection (5) (which defines a “taxable intermediary” as a person falling within subsection (6) of that section etc) after “subsection (6)” there shall be inserted “ or (6A) ”.
- (3) For subsections (6) and (7) there shall be substituted—
  - “(6) A person falls within this subsection if the higher rate contract mentioned in subsection (1) above falls within paragraph 2 or 3 of Schedule 6A to this Act (motor cars or motor cycles, or relevant goods) and the person is—
    - (a) within the meaning of the paragraph in question, a supplier of motor cars or motor cycles or, as the case may be, of relevant goods; or
    - (b) a person connected with a person falling within paragraph (a) above; or
    - (c) a person who in the course of his business pays—
      - (i) the whole or any part of the premium received under that contract, or
      - (ii) a fee connected with the arranging of that contract, to a person falling within paragraph (a) or (b) above.
  - (6A) A person falls within this subsection if the higher rate contract mentioned in subsection (1) above falls within paragraph 4 of Schedule 6A to this Act (travel insurance) and the person is—
    - (a) the insurer under that contract; or
    - (b) a person through whom that contract is arranged in the course of his business; or
    - (c) a person connected with the insurer under that contract; or
    - (d) a person connected with a person falling within paragraph (b) above; or
    - (e) a person who in the course of his business pays—
      - (i) the whole or any part of the premium received under that contract, or
      - (ii) a fee connected with the arranging of that contract, to a person falling within any of paragraphs (a) to (d) above.”
- (4) In subsection (9) (definitions) the definition of “tour operator” and “travel agent” shall be omitted.
- (5) The amendments made by this section have effect in relation to payments in respect of fees charged on or after 1st August 1998.

### Marginal Citations

**M96** 1994 c. 9.

*Status: Point in time view as at 01/11/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 10 July 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)*

### *Landfill tax*

#### **148 Provisional collection of landfill tax.**

- (1) In section 1(1) of the <sup>M97</sup>Provisional Collection of Taxes Act 1968 (taxes in relation to which resolutions may have temporary statutory effect), after “insurance premium tax,” there shall be inserted “ landfill tax, ”.

<sup>F113</sup>(2) .....

<sup>F113</sup>(3) .....

<sup>F113</sup>(4) .....

#### **Textual Amendments**

**F113** S. 148(2)-(4) repealed (11.5.2001) by 2001 c. 9, s. 110, Sch. 33, Pt. 3(3)

#### **Marginal Citations**

**M97** 1968 c. 2.

### *Stamp duty*

#### **[<sup>F114</sup>149 Stamp duty on conveyance or transfer on sale.**

- (1) Section 55 of the <sup>M98</sup>Finance Act 1963 and section 4 of the <sup>M99</sup>Finance Act Northern Ireland) 1963 (both of which provide for rates of stamp duty on conveyance or transfer on sale) shall each be amended as follows.
- (2) In subsection (1)(d) (rate of £1.50p for every £100 etc where consideration does not exceed £500,000 and the instrument is certified at that amount) for “£1.50p” there shall be substituted “ £2 ”.
- (3) In subsection (1)(e) (rate of £2 for every £100 etc) for “£2” there shall be substituted “ £3 ”.
- (4) This section shall apply to instruments executed on or after 24th March 1998, except where the instrument in question is executed in pursuance of a contract made on or before 17th March 1998.
- (5) This section shall be deemed to have come into force on 24th March 1998.]

#### **Textual Amendments**

**F114** S. 149 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. V(2) of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. V(2), Note 1, 2

#### **Marginal Citations**

**M98** 1963 c. 25.

**M99** 1963 c. 22 (N.I.).

*Status: Point in time view as at 01/11/2008.*

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## 150 Relief from double stamp duties etc.

- (1) Where an instrument which is chargeable with stamp duty in Great Britain and in Northern Ireland has been stamped in either of those parts of the United Kingdom—
  - (a) the instrument shall, to the extent of the duty it bears, be deemed to be stamped in the other part of the United Kingdom, but
  - (b) if the stamp duty chargeable on the instrument in that other part of the United Kingdom exceeds the stamp duty chargeable on the instrument in the part of the United Kingdom in which it has been stamped, the instrument shall not be deemed to have been duly stamped in that other part of the United Kingdom unless and until stamped in accordance with the law which has effect in that part of the United Kingdom with a stamp denoting an amount equal to the excess.
- (2) An instrument which, by virtue of paragraph (b) of subsection (1) above, is not deemed to have been duly stamped in a part of the United Kingdom unless and until stamped with a stamp denoting an amount equal to the excess mentioned in that paragraph may, notwithstanding anything in section 15 of the <sup>M100</sup>Stamp Act 1891, be stamped with such a stamp without payment of any penalty at any time within 30 days after it has first been received in that part of the United Kingdom.
- (3) In section 22 of the <sup>M101</sup>Stamp Duties Management Act 1891 (discontinuance of dies) for the words from “London” to “Gazettes” there shall be substituted “ London, Edinburgh and Belfast Gazettes ”.
- (4) Section 29 of the <sup>M102</sup>Government of Ireland Act 1920 (the provisions of which are either spent or re-enacted with modifications in subsection (1) above) shall cease to have effect.
- (5) The saving in Part I of Schedule 6 to the <sup>M103</sup>Northern Ireland Constitution Act 1973 (repeals) for orders made under section 69 of the <sup>M104</sup>Government of Ireland Act 1920 shall cease to have effect in relation to Part IV of the Government of Ireland (Adaptation of the <sup>M105</sup>Taxing Acts) Order 1922 (the provisions of which are either spent or re-enacted with modifications in subsections (2) and (3) above).

### Marginal Citations

- M100** 1891 c. 39.  
**M101** 1891 c. 38.  
**M102** 1920 c. 67.  
**M103** 1973 c. 36.  
**M104** 1920 c. 67.  
**M105** S.R. & O. 1922/80.

### *Stamp duty reserve tax*

## 151 Depository receipts and clearance services: exchanges of shares.

- (1) In section 95 of the Finance Act 1986 (depository receipts; exceptions) in subsection (3) (exchanges) after paragraph (b) there shall be added— “ and the shares in company Y are held under a depository receipt scheme. ”
- (2) At the end of that section there shall be added—

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*Status: Point in time view as at 01/11/2008.*

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- “(5) For the purposes of subsection (3) above, the cases where shares are held under a depositary receipt scheme are those cases where, in pursuance of an arrangement,—
- (a) a depositary receipt for chargeable securities has been, or is to be, issued by a person falling within section 93(2) above in respect of the shares in question or shares of the same kind and amount; and
  - (b) the shares in question are held by that person, or by a person whose business is or includes holding chargeable securities as nominee or agent for that person, towards the eventual satisfaction of the entitlement of the receipt’s holder to receive chargeable securities.
- (6) Where an arrangement is entered into under which—
- (a) shares in a company (company X) are issued to persons in respect of their holdings of shares in another company (company Y), and
  - (b) the shares in company Y are cancelled,
- the issue shall be treated for the purposes of subsection (3) above as an issue by company X in exchange for the shares in company Y.
- (7) In this section “depositary receipt for chargeable securities” has the same meaning as in section 93 above (see section 94 above).”
- (3) In section 97 of the <sup>M106</sup>Finance Act 1986 (clearance services: exceptions) in subsection (4) (exchanges) after paragraph (b) there shall be added— “ and the shares in company Y are held under a clearance services scheme. ”
- (4) At the end of that section there shall be added—
- “(6) For the purposes of subsection (4) above, the cases where shares are held under a clearance services scheme are those cases where—
- (a) an arrangement falling within paragraph (a) of subsection (1) of section 96 above has been entered into; and
  - (b) in pursuance of that arrangement, the shares are held by the person referred to in that paragraph as A or by a person whose business is or includes holding chargeable securities as nominee for that person.
- (7) Where an arrangement is entered into under which—
- (a) shares in a company (company X) are issued to persons in respect of their holdings of shares in another company (company Y), and
  - (b) the shares in company Y are cancelled,
- the issue shall be treated for the purposes of subsection (4) above as an issue by company X in exchange for the shares in company Y.”
- (5) In section 99(10) of the <sup>M107</sup>Finance Act 1986 (which makes provision in relation to the interpretation of “chargeable securities” in sections 93, 94, 96 and 97A)—
- (a) after “94,” there shall be inserted “ 95, ”; and
  - (b) after “96” there shall be inserted “ , 97 ”.
- (6) This section applies where the issue by company X referred to in section 95(3) or (6) or 97(4) or (7) of the <sup>M108</sup>Finance Act 1986 is an issue on or after 1st May 1998.

*Status: Point in time view as at 01/11/2008.*

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**Marginal Citations**

M106 1986 c. 41.

M107 1986 c. 41.

M108 1986 c. 41.

*Petroleum revenue tax etc.*

**152 Gas valuation.**

- (1) Paragraph 3A of Schedule 3 to the <sup>M109</sup>Oil Taxation Act 1975 (market value of light gases) shall have effect, and be deemed always to have had effect, with the insertion of the following sub-paragraph after sub-paragraph (3)—

“(3A) The circumstances referred to in sub-paragraph (1) above include—

- (a) the timing of the making, and of any subsequent variations, of the actual contract or other arrangements under which the disposal or appropriation was made;
- (b) the terms of that contract or, as the case may be, of those arrangements, and the terms of any such variations; and
- (c) the extent to which the circumstances to which regard is to be had by virtue of paragraphs (a) and (b) above are circumstances that might reasonably have been expected to exist in the case of a contract satisfying the conditions specified in sub-paragraph (2) above.”

- (2) Paragraph 12 of Schedule 2 to the <sup>M110</sup>Oil Taxation Act 1983 (purchase of oil at place of extraction) shall have effect and, in relation to light gases disposed of or appropriated at any time on or after 3rd May 1994, be deemed to have had effect—

- (a) with the substitution, for the words “paragraphs (a) to (c)” in sub-paragraph (2), of the words “paragraphs (a) to (cb)”; and
- (b) with the substitution for the words from “2(5)(b)” to “length),” in sub-paragraph (5) of the words “2(5)(b) or (ca) of the principal Act (oil disposed of otherwise than in sales at arm’s length),”.

- (3) Section 493 of the Taxes Act 1988 (valuation of oil disposed of or appropriated in certain circumstances) shall have effect, and, in relation to light gases disposed of or appropriated at any time on or after 3rd May 1994, be deemed to have had effect, with the insertion after subsection (5) of the following subsection—

“(6) In subsections (3) and (4) above the references to the market value of any oil in the calendar month in which a disposal of the oil was made or, as the case may be, in which it was appropriated shall each have effect in relation to light gases (within the meaning of the 1975 Act) as a reference to the amount which, if paragraph 3A of Schedule 3 to the 1975 Act applied, would be the market value of that oil in relation to the disposal or appropriation in question.”

**Marginal Citations**

M109 1975 c. 22.

M110 1983 c. 56.

*Status: Point in time view as at 01/11/2008.*

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### *Gas levy*

#### **153 Reduction and abolition of gas levy.**

- (1) The rate of gas levy for the year 1997-98 shall be deemed to have been three pence per therm.
- (2) Gas levy shall not be payable for the year 1998-99 or any subsequent year.
- (3) Section 3 of the <sup>M111</sup>Gas Levy Act 1981 shall be deemed never to have required any person to deliver a return for the chargeable period ending with 30th June 1998.
- (4) Any repayment of gas levy falling to be made to any person by virtue of subsection (1) above shall be made by the Secretary of State out of the Consolidated Fund and shall carry interest at the prescribed rate from the end of July 1998 until payment.
- (5) In subsection (4) above “the prescribed rate” means the rate at which repayments of gas levy for the year 1997-98 carry interest if repaid under section 3(5) of the <sup>M112</sup>Gas Levy Act 1981.

#### **Marginal Citations**

**M111** 1981 c. 3.

**M112** 1981 c. 3.

### *Dumping duties*

#### **154 Repeal of Customs Duties (Dumping and Subsidies) Act 1969.**

The <sup>M113</sup>Customs Duties (Dumping and Subsidies) Act 1969 (which confers powers on the Secretary of State, exercisable in accordance with section 6(5) of the <sup>M114</sup>Finance Act 1978, to charge duties in respect of dumping and to offset subsidies) shall cease to have effect.

#### **Marginal Citations**

**M113** 1969 c. 16.

**M114** 1978 c. 42.

## **PART VI**

### MISCELLANEOUS AND SUPPLEMENTAL

### *Fiscal stability*

#### **155 Code for fiscal stability.**

- (1) It shall be the duty of the Treasury to prepare and lay before Parliament a code for the application of the key principles to the formulation and implementation of—
  - (a) fiscal policy, and

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- (b) policy for the management of the National Debt.
- (2) The key principles are transparency, stability, responsibility, fairness and efficiency.
- (3) The code prepared under this section must set out, in particular—
  - (a) the Treasury’s understanding of what each of the key principles involves in relation to fiscal policy and policy for the management of the National Debt;
  - (b) the provision appearing to the Treasury to be necessary for the purposes of so much of section 156 below as refers to the code; and
  - (c) the methods and principles of accounting to be applied in the preparation of accounts, forecasts and other documents used for the purposes of the formulation and implementation of the policies mentioned in subsection (1) above.
- (4) Where any code has been laid before Parliament under subsection (1) above, the Treasury may from time to time modify that code; but, if they do so, they shall lay the modified code before Parliament.
- (5) A code (including a modified code) that has been laid before Parliament under this section shall not come into force until it has been approved by a resolution of the House of Commons.
- (6) It shall be the duty of the Treasury to publish, in such manner as they think fit, any code which has been laid before Parliament and approved by the House of Commons under this section.
- (7) The first code to be laid before Parliament under this section shall be so laid before 31st December 1998.

## **156 Annual Budget documents.**

- (1) It shall be the duty of the Treasury, for each financial year, to prepare and lay before Parliament the following documents, that is to say—
  - (a) a Financial Statement and Budget Report;
  - (b) an Economic and Fiscal Strategy Report; and
  - (c) a Debt Management Report.
- (2) The preparation and laying before Parliament of the Financial Statement and Budget Report for any financial year shall be preceded, in such cases and by such period as may be set out in the code for fiscal stability, by the preparation by the Treasury of a document to be known as the Pre-Budget Report.
- (3) The Treasury shall lay before Parliament any Pre-Budget Report prepared by them under subsection (2) above.
- (4) The contents of the documents which the Treasury are required to prepare and lay before Parliament under this section, and the occasions on which those documents are to be so laid, must conform to any provision about those matters made by the code for fiscal stability.
- (5) It shall be the duty of the Comptroller and Auditor General to examine and report to the House of Commons on such of the conventions and assumptions underlying the preparation by the Treasury of the documents prepared by them under this section as, in accordance with the code for fiscal stability, are submitted to him by the Treasury for his examination.



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- (6) A report by the Comptroller and Auditor General under subsection (5) above must be made at the same time as, or as soon as reasonably practicable after, the laying before Parliament of the documents to which it is referable.
- (7) It shall be the duty of the Treasury to secure the publication in the manner required by the code for fiscal stability of any document which they have laid before Parliament under this section.
- (8) In this section “the code for fiscal stability” means the code for the time being in force under section 155 above.
- (9) The first financial year for which the documents mentioned in subsection (1) above are required to be prepared and laid before Parliament is the year beginning with 1st April 1999.

### **157 Supplementary powers of the Comptroller and Auditor General.**

- (1) The Comptroller and Auditor General—
  - (a) shall have a right of access, at all reasonable times, to all such relevant Government documents as he may reasonably require for the purpose of carrying out any examination under section 156(5) above; and
  - (b) shall be entitled to require from any person holding or accountable for any relevant Government documents any assistance, information or explanation which he reasonably thinks necessary for that purpose.
- (2) In this section “relevant Government documents” means documents in the custody or under the control of the Government department primarily responsible for the adoption or formulation of the convention or assumption in question.

#### *Government borrowing*

### **158 Treasury’s position regarding their own securities.**

- (1) This section applies to securities issued by or on behalf of the Treasury, here referred to as Treasury securities.
- (2) Any powers which relate to Treasury securities and which are conferred on the Treasury in a capacity other than issuer may be exercised by them, and no rule of law preventing a person contracting with himself shall prevent them exercising the powers.
- (3) The powers referred to in subsection (2) above include powers to acquire, hold and transfer securities and to make agreements with regard to them.
- (4) If Treasury securities are acquired under powers conferred on the Treasury, until they are transferred or redeemed they shall be treated as held by the persons for the time being constituting the Treasury.

### **159 Treasury bills.**

- (1) In section 8 of the <sup>M115</sup>Treasury Bills Act 1877 (mode of issue of Treasury bills) the following shall be substituted for paragraph (1)—

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“(1) Treasury bills shall be issued by the Treasury (either directly or through such agent as the Treasury think fit).”

(2) This section shall apply in relation to issues made on or after such day as the Treasury may appoint by order made by statutory instrument.

**Subordinate Legislation Made**

**P2** S. 159(2) power fully exercised (25.10.1999): 15.11.1999 appointed by S.I. 1999/2908, arts. 1(2), 2(1)

**Marginal Citations**

**M115** 1877 c. 2.

**160 National loans.**

Schedule 26 to this Act (national loans) shall have effect.

**161 Non-FOTRA securities.**

- (1) Subject to the following provisions of this section, any gilt-edged security issued before 6th April 1998 without FOTRA conditions shall be treated in relation to times on or after that date as if—
  - (a) it were a security issued with the post-1996 Act conditions; and
  - (b) those conditions had been authorised in relation to the issue of that security by virtue of section 22 of the <sup>M116</sup>Finance (No. 2) Act 1931.
- (2) Where a gilt-edged security falls to be treated as mentioned in subsection (1) above that treatment shall have effect—
  - (a) for the purposes of [<sup>F115</sup>Chapter 2 of Part 12 of the Income Tax Act 2007 (accrued income profits) in relation only to accrued income profits which a person is treated as making under section 628(5) or 630(2) of that Act] on or after 6th April 1998;
  - (b) for the other purposes of the Tax Acts, in relation only to payments of interest falling due on or after that date; and
  - (c) for the purposes of the <sup>M117</sup>Inheritance Tax Act 1984, in relation only to a determination of whether property is excluded property at a time falling on or after that date.
- (3) No charge to tax shall be treated as arising under section 65 of the <sup>M118</sup>Inheritance Tax Act 1984 (property becoming excluded property) by reason only of the coming into force of this section.
- (4) In this section “FOTRA conditions” means any such conditions about exemption from taxation as are authorised in relation to the issue of a gilt-edged security by virtue of section 22 of the <sup>M119</sup>Finance (No. 2) Act 1931.
- (5) In this section “the post-1996 Act conditions” means the FOTRA conditions with which 7.25% Treasury Stock 2007 was first issued by virtue of section 22 of the <sup>M120</sup>Finance (No. 2) Act 1931.
- (6) In this section “gilt-edged securities” means any securities which are gilt-edged securities for the purposes of the <sup>M121</sup>Taxation of Chargeable Gains Act 1992.

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- (7) This section does not apply to any 3½% War Loan 1952 Or After which was issued with a condition authorised by virtue of section 47 of the <sup>M122</sup>Finance (No. 2) Act 1915.

#### Textual Amendments

**F115** Words in s. 161(2)(a) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 384](#) (with [Sch. 2](#))

#### Marginal Citations

**M116** 1931 c. 49.  
**M117** 1984 c. 51.  
**M118** 1984 c. 51.  
**M119** 1931 c. 49.  
**M120** 1931 c. 49.  
**M121** 1992 c. 12.  
**M122** 1915 c. 89.

## 162 Accounting statements relating to National Savings.

- (1) Subject to subsection (2) below, in each of the following provisions (which provide for annual statements of account as respects years ending with 31st December to be prepared in relation to deposits with the National Savings Bank), that is to say—

<sup>F116</sup>(a) .....

(b) section 120(4) of the <sup>M123</sup>Finance Act 1980 (investment deposits), for “31st December” there shall be substituted “ 31st March ”.

<sup>F117</sup>(2) .....

- (3) In section 19(2) of the <sup>M124</sup>National Savings Bank Act 1971 (delivery of statement under section 19(1) to the Comptroller and Auditor General), for the words from “before the end of May” to “that year” there shall be substituted “ before the end of August next following the end of any period for which a statement falls to be prepared under subsection (1) above, transmit the statement for that period ”.

- (4) In section 20 of that Act (adjustment of balances)—

(a) for “year ending with 31st December” there shall be substituted “ period as respects which a statement falls to be prepared under section 19(1) of this Act ”;

(b) for the words “the year”, in each place where they occur, there shall be substituted “ that period ”; and

(c) for “any such year” there shall be substituted “ any such period ”.

<sup>F118</sup>(5) .....

#### Textual Amendments

**F116** S. 162(1)(a) repealed (10.7.2003) by [Finance Act 2003 \(c. 14\), Sch. 43 Pt. 5\(4\)](#)

**F117** S. 162(2) repealed (10.7.2003) by [Finance Act 2003 \(c. 14\), Sch. 43 Pt. 5\(4\)](#)

**F118** S. 162(5) repealed (10.7.2003) by [Finance Act 2003 \(c. 14\), Sch. 43 Pt. 5\(4\)](#)

*Status: Point in time view as at 01/11/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 10 July 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)*

**Marginal Citations**

- M123 1980 c. 48.
- M124 1971 c. 29.

*The European single currency*

**163 Adoption of single currency by other member States.**

- (1) The Treasury may, to such extent as appears to them appropriate in connection with any of the matters falling within subsection (2) below, by regulations modify the application and effect as respects—
  - (a) transactions in a currency other than sterling,
  - (b) instruments denominated in such a currency, and
  - (c) the bringing into account of amounts expressed in, or by reference to, such a currency,

of any enactment or subordinate legislation relating to [<sup>F119</sup>any matter for which the Commissioners for Her Majesty’s Revenue and Customs are responsible and to which section 7 of the Commissioners for Revenue and Customs Act 2005 (former Inland Revenue matters) applies.]
- (2) The matters falling within this subsection are—
  - (a) the adoption or proposed adoption by other member States of the single currency; and
  - (b) any transitional measures or other arrangements applying or likely to apply in relation to the adoption of the single currency by other member States.
- (3) Without prejudice to the generality of subsection (1) above, the power conferred by that subsection includes power by regulations to provide—
  - (a) for liabilities to pay amounts to the Commissioners of Inland Revenue under any enactment or subordinate legislation relating to taxation to be capable of being discharged, in accordance with the regulations, by payments in the single currency;
  - <sup>F120</sup>(b) .....
  - <sup>F120</sup>(c) .....
- (4) The power to make regulations under this section includes—
  - (a) power to impose charges to taxation;
  - (b) power to amend or repeal any enactment; and
  - (c) power to make such incidental, supplemental, consequential and transitional provision as appears to the Treasury to be appropriate.
- (5) The power to make regulations under this section shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.
- (6) In this section—
  - “enactment” includes any enactment contained in this Act (other than this section) and any enactment passed after this Act;
  - “other member State” means a member State other than the United Kingdom;

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“subordinate legislation” has the same meaning as in the <sup>M125</sup>Interpretation Act 1978.

- (7) References in this section to the adoption of the single currency are references to the adoption of the single currency in accordance with the Treaty establishing the European Community, and the reference in subsection (3)(a) above to that currency shall be construed accordingly.

#### Textual Amendments

**F119** Words in s. 163(1) substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005](#) (c. 11), s. 53(1), [Sch. 2 para. 10](#); S.I. 2005/1126, art. 2(2)(d)

**F120** S. 163(3)(b)(c) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(11) Note of the amending Act) by [2002 c. 23](#), s. 141, [Sch. 40 Pt. 3\(11\)](#) Note

#### Marginal Citations

**M125** 1978 c. 30.

### *Supplemental*

#### **164 Interpretation.**

In this Act “the Taxes Act 1988” means the <sup>M126</sup>Income and Corporation Taxes Act 1988.

#### Marginal Citations

**M126** 1988 c. 1.

#### **165 Repeals.**

- (1) The enactments mentioned in Schedule 27 to this Act (which include spent provisions) are hereby repealed to the extent specified in the third column of that Schedule.
- (2) The repeals specified in that Schedule have effect subject to the commencement provisions and savings contained or referred to in the notes set out in that Schedule.

#### **166 Short title.**

This Act may be cited as the Finance Act 1998.

**Status:**

Point in time view as at 01/11/2008.

**Changes to legislation:**

Finance Act 1998 is up to date with all changes known to be in force on or before 10 July 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.